



FINANCIAL REPORT | 2003



Since inception in 1993, Coronation Fund Managers Limited has evolved to be one of the leading independent fund managers in the South African investment management industry.

The 2003 financial report is our first report since listing on 13 June 2003 and encompasses some of the following principles which have guided our culture and ethos over the years:

- ▶ Know that without clients we have no business
- ▶ Be the best
- ▶ Act with integrity and always be transparent and professional
- ▶ Always question and search for new ideas
- ▶ No hierarchy – follow guidelines, not rules
- ▶ Everyone is accountable
- ▶ Achieve with passion and energy
- ▶ Work as a team – everyone's contribution is important
- ▶ Own the bottom line
- ▶ Live the culture

CONTENTS

2	Coronation Fund Managers Group – an overview
2	Group structure
3	Board of directors
6	Chairman's statement
8	Chief executive officer's review
9	SA Institutional
13	SA Retail
14	International
18	Transformation
20	Coronation people
22	Risk management
23	Corporate governance
27	Annual financial statements
60	Shareholders' information
60	Analysis of shareholders
62	Notice to shareholders
64	Shareholders' diary
64	Corporate information
	Inserted form of proxy

CORONATION FUND MANAGERS GROUP – AN OVERVIEW

SHAREHOLDERS

Total assets (Rm)	393
Ordinary shareholders' equity (Rm)	150
Return on ordinary shareholders' equity	41%
Net asset value per share (cents)	39,3
Dividend cover	1,3

MARKET INFORMATION FOR THE PERIOD ENDED 30 SEPTEMBER 2003

Volume of shares traded (millions)	41,3
Value of shares traded (Rm)	138
Ordinary share price at 30 September 2003 (cents)	282
Price/earnings ratio at 30 September 2003 #	7,4

CLIENTS

Funds under management

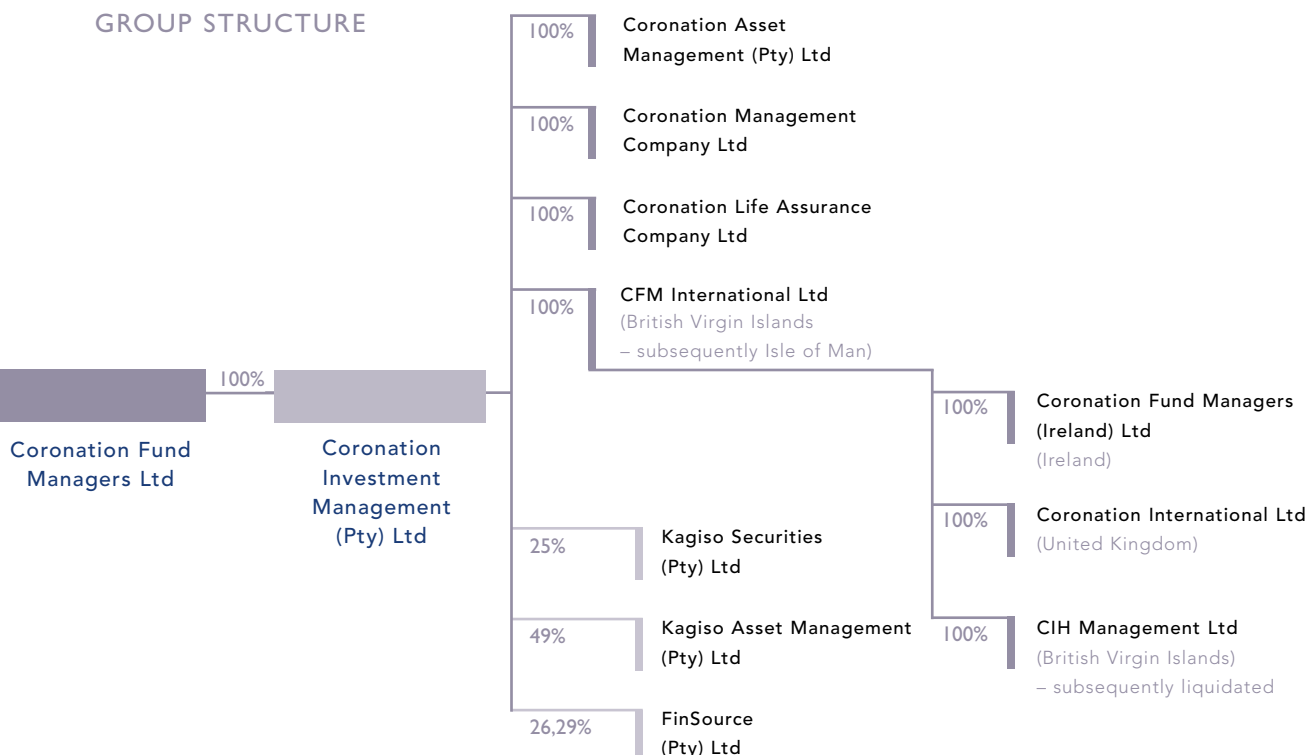
Total funds under management (Rbn)	54
International funds under management (Rbn)	7

FINANCIAL PERFORMANCE

Annualised headline earnings per share (cents)	38,3
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Using annualised headline earnings per share (cents)

GROUP STRUCTURE





Gavan Mark Christopher Ryan (chairman) (55) * #

BCom, CTA, CA(SA), MBA

Prior to the formation of Coronation Holdings Limited in 1992, Gavan spent 23 years with UAL Merchant Bank, initially holding a number of managerial positions and later becoming an executive director of UAL Merchant Bank. Gavan was an executive director of Coronation Holdings Limited from 1992, serving as chairman from 1993 to 2001.

Matthys Michielse du Toit (chief executive officer) (44) *

BSc, MBA

Thys is one of the founding members of Coronation Fund Managers and was appointed as chief executive officer in 1997. Prior to joining Coronation Fund Managers, he spent four years with Syfrets Managed Assets as a portfolio manager, and six years (three as a director) with George Huysamer & Partners (later bought out by ABN Amro) in the fields of capital and derivative markets, equity research and portfolio management.

Eric Molobi (director) (57)

BA

Following his release from Robben Island, Eric worked for the Munich Re Insurance Company (SA) as an insurance underwriter and was subsequently recruited by the South African Council of Churches to set up a community development programme aimed at the disadvantaged youth of South Africa. In 1990, he joined Kagiso Charitable Trust as chief executive officer. He initiated the establishment of Kagiso Trust Investments (Proprietary) Limited and is currently responsible for the overall strategic direction as executive chairman.

Winston Theodore Floquet (director) (62) * #

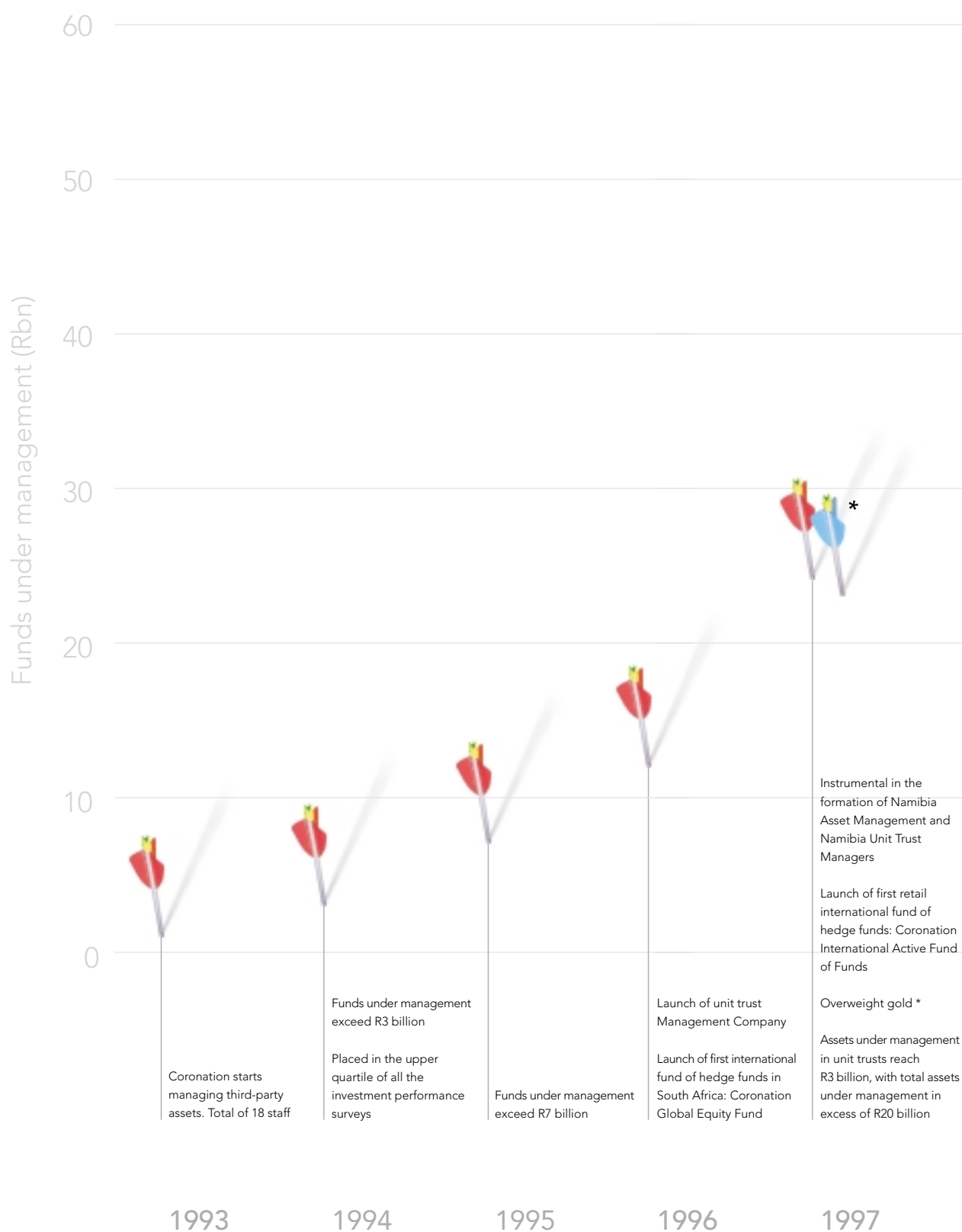
CA(SA), MBA

Winston has held the position of chairman of Flagship Private Asset Management (Proprietary) Limited for the past two years (2001 to present). Prior to this, he held the position of deputy chairman of Fleming Martin South Africa (now JP Morgan) for seven years (1995 – 2001) and the position of chief executive officer of Martin & Co Inc for 10 years (1986 – 1995). He is also a former chairman of the Investment Analyst Society and a former member of the Accounting Practices Board.

* Member of the audit committee

Member of the remuneration committee

A DECADE OF GROWTH. A TRANSPARENT VIEW.





CHAIRMAN'S STATEMENT

Volatile equity markets continued to negatively affect investor sentiment. In South Africa, the FTSE/JSE All Share Index declined by 17,4% from September 2002 to March 2003, and then recovered to return 18,4% for the six-month period to end September 2003. Similarly, in world markets, the MSCI World Index returned 1,4% from September 2002 to March 2003 and 21,5% for the six-month period to end September 2003. Despite the recovery, there remains a general unwillingness by investors to reinvest in equity markets. An additional key factor influencing the investment environment over the past year was the strengthening of the rand, which has appreciated 34% against the US dollar to end of September 2003. These factors, combined with unrelenting competition within the investment management industry, resulted in a difficult operating environment and continued margin pressure for most asset management companies.

In these market conditions, Coronation Fund Managers produced a solid performance in its maiden set of results as a listed group. For the five months ended 30 September 2003, Coronation Fund Managers recorded headline earnings of R60,9 million and annualised headline earnings per share of 38,3 cents based on the 382 274 930 shares in issue throughout the period. The South African business produced a good performance as a result of strong recurring income and superior local investment returns. The results of the international business were subdued due to the strengthening rand, an increase in costs and lower performance fees.

FINANCIAL PERFORMANCE AND HIGHLIGHTS

Highlights of the period included:

- ▶ Assets under management increased by 12% to R53,7 billion (30 April 2003: R48,1 billion).
- ▶ Strong cash flow – a dividend of 12 cents per share was declared.
- ▶ Listing on the JSE Securities Exchange South Africa on 13 June 2003.
- ▶ Various accolades for investment performance – Top position in the Plexus Survey of consistency of performance across the complete range of unit trusts for the 6th consecutive quarter to 30 September 2003; rated as the Best Larger Unit Trust Group over one year in the 2003 Standard & Poor's/Financial Mail Awards; awarded the Association of Collective Investments/Personal Finance Raging Bull Award for Best Management Company in 2002; and rated the Best Unit Trust Provider in the PricewaterhouseCoopers Survey of SA Bankers 2002.
- ▶ The first asset management company in South Africa to gain compliance with Global Investment Performance Standards (GIPS™), the worldwide standard for the calculation and presentation of investment performance.

CORPORATE GOVERNANCE

The board structure of Coronation Fund Managers complies with good corporate governance as set out in the King II Report. The roles of chairman and chief executive officer are separated and the board consists of four directors, three of whom are non-executive directors. The non-executive directors include myself, Eric Molobi, executive chairman of Kagiso Trust Investments, and Winston Floquet, chairman of Flagship Private Asset Management. Thys du Toit, the chief executive officer of Coronation Fund Managers is the sole executive director.

TRANSFORMATION

Since inception, Coronation Fund Managers has been actively involved in social investment projects which aim to empower individuals and uplift their communities. Furthermore, the company has also been instrumental in developing a number of corporate initiatives which have contributed to the transformation of and the development of skills in the South African asset management industry. However, while we have been proactive in a number of areas we recognise that an accelerated



transformation process is now required to achieve our black economic empowerment objectives. A transformation team comprising senior representatives from across the business has been established and tasked with implementing a sustainable transformation programme, which will meet the requirements of the recently released Financial Sector Charter. Focus is being placed on ownership and control, procurement and enterprise development, human resources and skills development, and a corporate social investment programme. We look forward to reporting developments on these initiatives by September 2004.

PROSPECTS

It is now 10 years since the formation of Coronation Fund Managers in 1993, and the company has developed a strong brand and consolidated its position as one of the leading independent fund managers in the South African investment management industry. Currently Coronation Fund Managers employs more than 130 people in South Africa, the United Kingdom and Ireland.

The company has always striven to be the best in all aspects of its business. A primary reason for its success over the last decade has been as a result of maintaining this high standard as well as adopting the following key principles:

- ▶ To recognise that clients are the basis of Coronation Fund Managers' business
- ▶ To maintain the principles of transparency, integrity and reputation
- ▶ To constantly innovate
- ▶ To recognise that the people and the culture of the organisation are the essence of the business

These principles guide Coronation Fund Managers' strategy and corporate ethos, and will continue to provide the basis for the company's future growth and profitability.

We expect that competition within the industry will remain intense as asset management companies continue to focus on scale and aim for wider distribution and global penetration. This may lead to further consolidation. We remain optimistic about Coronation Fund Managers' potential for growth and will continue to focus on generating quality recurring income.

ACKNOWLEDGEMENTS

I thank our staff for their vigour, courage and commitment in confronting the many challenges over the past year. I also extend our thanks to our shareholders who continue to have confidence in Coronation Fund Managers' ability to generate long-term value. Finally I thank our clients for their long-standing support as without them we would not have the business we have today.

Gavan Ryan
Chairman

CHIEF EXECUTIVE OFFICER'S REVIEW

We faced the perfect storm in 2003. Our business in its 10th year of operation was challenged by volatile equity markets, a strong rand, a listing on the JSE Securities Exchange South Africa and the underperformance of our flagship international funds as a result of their exposure to the Lancer Offshore Fund.



INGREDIENTS:

integrity
performance
innovation
teamwork
stability
commitment
passion

It was thus gratifying that the business successfully confronted these challenges and achieved a solid performance for the period. This can largely be attributed to the combined efforts of an extraordinary team of people. With determined passion they confidently steered the business towards achieving focused objectives of delivering good consistent performance, exceptional client service and maintaining a solid reputation.

Coronation Fund Managers was listed as a separate entity on 13 June 2003 which represented a new phase in the company's development. The listing has provided considerable advantages to the group's business areas and places Coronation Fund Managers in an excellent position to capitalise on new opportunities.

A major disappointment this year was the write-down of our investment in the Lancer Offshore Fund, which resulted in the underperformance of both our institutional and retail international fund of funds products. In this regard we have made a concerted effort to restore fund performance and are pleased to report that both the Coronation Global Equity Fund and the Coronation International Active Fund of Funds have substantially delivered according to benchmark, providing real dollar returns with lower volatility for the year ended 30 September 2003.

During the period we also formalised the structure of the South African investment team into two separate units, each with its own distinct investment philosophy, style and product range. The traditional houseview team is responsible for all products with specific market-linked or peer group benchmarks while the absolute team manages products with an absolute return orientation, typically targeting a return that is benchmarked to inflation with a focus on capital preservation. We also further bolstered the fixed interest team through the appointment of a leading economic strategist.

Considerable progress has been made in our international business and we have worked hard, since establishing the business in December 2000, on developing a credible investment team and a robust investment process. This has now been successfully accomplished and is evidenced by solid investment performance across all funds. As a result, we are optimistic about the potential to grow offshore assets under management.



Coronation Fund Managers' strategy is simple – we aim to deliver superior investment performance to clients. The company's business model focuses on being a "product provider" utilising non-affiliated distribution channels for its sales purposes and strengthening its relationships with these channels. All non-core activities are outsourced – Coronation Fund Managers was the first asset management company in South Africa to outsource administration with the establishment of FinSource in 1998. A further integral component of the company's operational philosophy since inception has been the remuneration policy which is linked directly to performance. Low basic salaries are combined with potentially high performance-based profit participation in the form of bonuses allocated from a bonus pool. As a result, exemplary performance is recognised with exceptional rewards. The strategic approach, coupled with this incentivisation system, has worked well and resulted in Coronation Fund Managers being able to consistently exceed client expectations.

A highlight of the financial results was the dividend of 12 cents per share which was declared for the five-month period. Going forward, the company intends to maintain a solid but minimal capital base and allow shareholders to benefit from the cash generative nature of its business.

In conclusion, we believe that the resilient performance during this period makes Coronation Fund Managers well positioned for the long term. Coronation Fund Managers remains one of the most profitable asset management companies in South Africa. The company has the appropriate framework in place with regard to strategy, business model, operational philosophies, products and expertise to confront the inevitable challenges that will continue to persist in the asset management environment.

Coronation Fund Managers encompasses three separate businesses: SA Institutional, SA Retail and International. Comment on the separate businesses is provided below.

The South African business is supported by a centralised platform comprising group finance, compliance, risk management and legal services, human resources, technology and marketing.

SA INSTITUTIONAL

Broad strategy and market positioning

Coronation Fund Managers is currently South Africa's fourth largest manager of third-party segregated and pooled assets. Assets under management total R41 billion, representing a market share in excess of 10% of the private retirement fund market.

The institutional business manages assets on behalf of more than 300 institutional clients, including pension funds, provident funds, medical aid schemes and trusts. In addition, we also manage a number of specialist portfolios for professional investors such as the multimanagers. Our institutional product range includes local and international customised and pooled investment portfolios.





People and the culture of the organisation are the essence of Coronation Fund Managers. We encourage our people to exceed expectations even when they are challenged to develop an interpretation of our brand.



Market trends

The institutional market in South Africa has been characterised by a lack of net growth in the asset pool and a greater emphasis on absolute returns. There continues to be a movement of assets from large institutional asset managers to smaller independent organisations and multimanager companies with tied distribution networks. There has also been a move from traditional balanced mandates towards specialist mandates. Furthermore, the release of the Financial Sector Charter has elevated the importance of black economic empowerment credentials for many pension funds and asset management companies.

The period under review

In a period of continued volatility, it is encouraging that Coronation Fund Managers' total institutional assets under management remained steady. This is primarily as a result of consistent superior investment performance and strong strategic relationships with consultants and industry participants. Our absolute return products continued to attract good inflows and grew from R3,5 billion in April to R6 billion at 30 September 2003.

Performance

Over the long term, the performance of our global balanced portfolios remain in the upper quartile of recognised performance surveys. Our performance in this category over shorter time periods has slipped slightly due to the short-term underperformance of our international product, the Coronation Global Equity Fund. Our domestic balanced performance, however, has continued to improve and is ranked second over one year to 30 September 2003 in the Alexander Forbes SA Large Manager Watch survey.

Our range of absolute products has performed well and is likely to meet all its inflation-plus benchmarks. Most of our benchmark portfolios outperformed their quantitative benchmarks and targets, thus meeting clients' investment objectives.

Business initiatives

While we still await finality on the contents of Regulation 28 and the ambit of its application, we believe that greater accountability will be placed on trustees in making the correct investment decisions, thereby creating a greater need for trustee education. In this regard we have tailored a comprehensive trustee training programme with specific emphasis on hedge fund investing, which we will be presenting to our clients during the forthcoming year.

In line with our focus of providing excellent service to our clients and to better identify and meet their needs, we have also added senior resources to our existing client service team.

Prospects

Coronation Fund Managers is well placed for the move from traditional balanced mandates towards specialist mandates – over the last 10 years we have developed a wide range of products with superior track records in different asset classes.

Currently, the Financial Services Board is considering legislation regarding hedge funds. Internationally, pension funds have realised the positive risk-return benefits of adding hedge funds to a pension portfolio, and this has placed increased pressure on regulatory bodies to speed up the introduction of such legislation. A change in legislation will lead



to revisions to the existing structure of many funds, in particular the historic strategic asset allocation. Coronation Fund Managers has a strong reputation as leaders in the provision of hedge fund of funds products in South Africa and is thus well placed to attract assets in this regard.

Coronation Fund Managers remains one of the preferred asset management houses in the South African institutional market. However, our share of the government and parastatal retirement fund market is low and represents an exciting growth area going forward.

SA RETAIL

Broad strategy and market positioning

Coronation Fund Managers is the eighth largest manager of unit trusts in South Africa, with assets under management of R5,5 billion as at end September 2003.

The business provides fund management solutions to individual investors, primarily through focusing on institutions and investment advisors that provide financial planning services. The client base includes South African major banking and insurance groups, most major investment advisory businesses, more than 400 prominent independent financial advisors and high net worth individuals. In addition, the business has more than 8 000 direct unit trust account holders.

Since the launch of the group's first unit trust in 1996, the retail product range has increased to include a comprehensive range of 21 collective investment schemes, complemented by traditional and hedge fund based offshore investments as well as an exclusive range of life licence based investment products. The domestic product range includes income generating and capital growth options, investing in equities, listed property, bonds and the money market. The offshore product range focuses primarily on absolute return funds aimed at long-term investors.

Market trends

Business conditions in the domestic unit trust industry stabilised during the period under review and industry assets under management grew by 14,6% to more than R200 billion for the year ended 30 September 2003. However, primarily as a result of poor equity market conditions, more than 90% of net new inflows to the industry continued to be directed into listed property, fixed interest and the money market funds. Net new business into managed, equity and foreign funds, which are Coronation's traditional focus areas, remained subdued. The environment for conducting offshore investment business on behalf of South African investors remained difficult.

There has also been significant industry consolidation and it is expected that the number of domestic unit trust funds will reduce by more than 10% by the end of 2003. Distribution is also becoming increasingly complex, with significant regulatory and margin pressure on most of the traditional channels.

The period under review

During the period, we experienced outflows from our foreign funds while achieving significant inflows into our absolute return, general equity and money market funds. As a result of the large offshore component of our assets under management, continued rand strength and global market volatility had a negative impact on revenues earned in the period.

Performance

Our unit trust funds continued to perform significantly better than the industry average, and we were particularly pleased with the performance produced by our flagship domestic equity fund, the Coronation High Growth Fund.

Our flagship foreign fund, the Coronation International Active Fund of Funds was adversely affected through its exposure to the Lancer Offshore Fund. Despite this difficulty, the fund produced a US dollar return of -0,7% for the year to 30 September 2003, substantially preserving US dollar capital.

Within the international fund range, the Coronation Global Financial Fund produced exceptional performance, with a return of 55,1% in US dollar terms, which is an outperformance of the MSCI Financial Index benchmark of 25,2% for the year to 30 September 2003.

Product development

Capitalising on the increased demand for absolute return funds in the retail market, the Coronation Absolute Fund was launched in December 2002. This fund is a flexible fund which aims to maximise returns while preserving capital over rolling time periods. During the year, we also introduced an online system for South African clients to enable them to manage their investment portfolios via a secure website.

Prospects

Coronation Fund Managers has built up a solid reputation in the management of unit trust funds and is well placed to benefit from the anticipated inflows as South African equity markets begin to show signs of recovery.

We are committed to ensuring excellent performance across the entire unit trust product range as well as ensuring the ongoing relevance of each of our products. Maintaining strong relationships with selected distribution channels remains of high importance and in many instances requires a closer working relationship with our institutional business to meet the specific needs of our clients.

INTERNATIONAL

Broad strategy and positioning

Coronation International is the international alternative investment management subsidiary of Coronation Fund Managers. The business manages hedge fund assets on behalf of sophisticated investors, predominantly institutional, as well as high net worth individuals. It is ranked as one of the top 50 global funds of hedge funds managers and the 16th largest company of its kind in Europe and the UK.

Coronation International employs 20 investment professionals and specialists. The investment team has an average of over 15 years experience in the fund management industry, with seven years experience managing large hedge funds and funds of hedge funds. They are supported by a research team of highly qualified strategy analysts and risk managers, client service specialists and a finance, compliance, administration and technology support team.



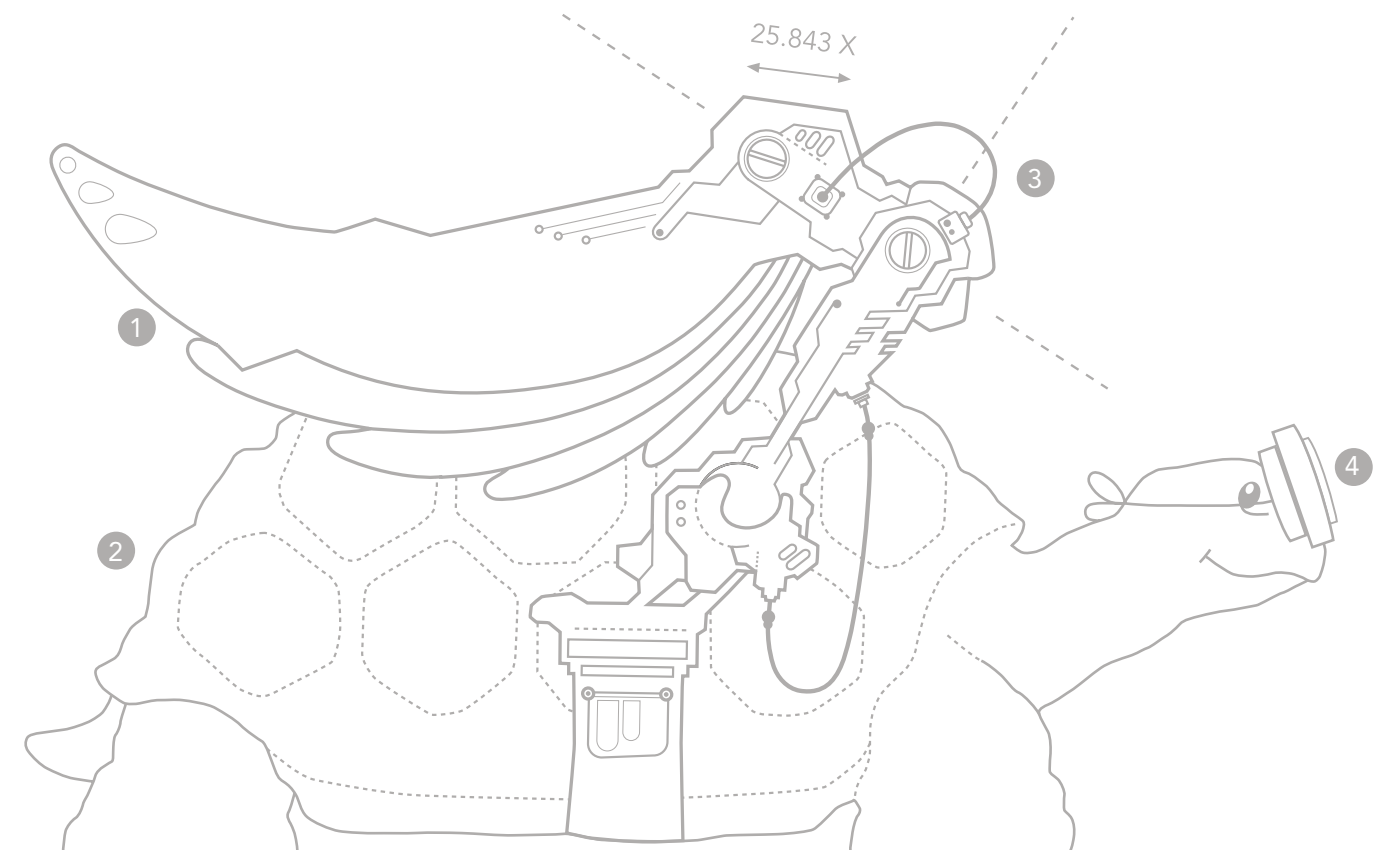
PRODUCT INNOVATION:

Recognised as an industry leader in product innovation, Coronation Fund Managers was the first asset manager to introduce absolute products to South African retail and institutional investors. These products have a dual focus of capital preservation and maximisation of returns, providing investors with real returns irrespective of market cycles. Similarly, the endurance and solidity associated with a tortoise represents the preservation of capital, while the addition of titanium wings provides for the ability to produce superior returns.

Other Coronation innovations have included amongst others:

- International funds of hedge funds
- Pooled portfolios for institutional investors

- 1 CM/D 03 INT.
Standard Carbon Fibre
(tungsten alloy
support inlays)
- 2 Silicon injected temperature
resistant shell gel
- 3 Kevlar coated
fibre optics
- 4 Iridium coated optics
Titanium enforced housing



Gopherus Polyphemus

Our first fund of hedge funds, the Coronation Global Equity Fund, was launched in 1996. Today this fund is one of the largest long/short equity funds with assets under management in excess of US\$530 million. The product range also includes the Coronation Relative Value Fund, the Coronation Global Macro Fund and the Coronation Multi-Strategy Fund. In addition to the core funds of hedge funds business, Coronation International also manages a number of individual hedge funds that focus on the US and European financial markets.

Market trends

The hedge fund industry was the fastest growing financial industry during the last decade and the demand for these products continues to be strong. The global hedge fund industry currently controls in excess of US\$650 billion in assets managed by over 5 000 hedge funds. Of this, funds of hedge funds account for over 25% of hedge fund assets (over US\$200 billion) and are forecast to grow by 30% over the next three years.

The demand for hedge fund products, which historically was dominated by high net worth individuals and family offices, is now being largely driven by institutional investors. The primary reasons for this shift have been the attractive absolute returns and low correlations to traditional asset classes as well as portfolio diversification, greater liquidity and rapid developments in the area of risk management. Despite this increased demand, the limited understanding by trustees, fiduciary governance issues and lack of long-term track records continue to restrain certain consultants from advising institutions to increase allocations to hedge funds.

However, sentiment is changing rapidly. A recent survey of all major UK investment consultancies advising retirement funds revealed that 59% would recommend the use of hedge funds, with the preferred method being via a fund of hedge funds. The sophistication and rigour that these and other institutions bring to the investment process has also been an important catalyst for refining the standards of practice in the industry and, importantly, has meant that those investment managers who have an experienced team and a well-established and rigorous institutional investment process are well positioned in attracting hedge fund assets.

Period under review

Our assets under management remained in excess of US\$1 billion over the period. During the year we made a number of key appointments across the business, including the appointment of a high profile chief investment officer. Focus was also placed on the enhancement of the investment process, the development of quantitative systems, and the rationalisation of the product range to better meet clients' objectives.

Given the stability of the client base within the fund of hedge funds business, management fees remained in line with expectations. The decline in performance fees and increased costs as a result of the additional staffing had an adverse impact on earnings during the period.

Performance

The strength of our international investment team and robustness of the investment process is evidenced by solid investment performance across all funds. The Coronation Global Macro Fund produced an annualised return of 12%



with a volatility of 5% since inception to the end of September 2003, outperforming the MSCI World Index by 23%. It was also ranked in the top five performing fund of hedge funds in the Annual Hedge Funds Review – European Performance Awards for 2003.

Prospects

The international business is now well placed to compete for international assets and our efforts are currently focused on the institutional market, directed mainly at pension funds, endowments and municipalities in selected markets. The focus is on building relationships with the principal investment consultants and advisors, particularly those who are becoming increasingly active in the provision of funds of hedge fund advice to pension funds. Our retail strategy is to develop open architecture distribution networks with selected banks, insurance companies and private banks, as well as to seek joint ventures with specialist distributors in our chosen target areas.

Thys du Toit

Chief executive officer

ADVANTAGES:

focus
size
stability
experience
consistency
product range
leadership
reputation
outsourcing
service excellence

PEOPLE:

diverse
highly qualified
entrepreneurial
professional
accountable
inspired

PERFORMANCE:

superior
consistent



TRANSFORMATION

Coronation Fund Managers recognises the urgent need to actively participate in black economic empowerment (BEE) in South Africa with the aim of contributing to the growth, development and social upliftment of all previously disadvantaged South Africans. Although we have been proactive in a number of areas in tackling the issues of redeeming past inequalities since the formation of our business in 1993, an accelerated transformation process is now required to achieve our BEE objectives.

A transformation team comprising senior representatives from across the business has been established and tasked with implementing a sustainable transformation programme which will meet the requirements of the recently released Financial Sector Charter. We intend to ensure that transformation within Coronation Fund Managers is effective and meaningful and that it contributes towards greater business success and positive social impact. We look forward to reporting progress in this regard by September 2004.

The release of the Financial Sector Charter in October 2003 marked the end of a long process of consultation and negotiation amongst all role players in the sector, supported by Government. It also marked the beginning of a significant process of transformation for financial services companies, encompassing a balanced focus on a number of dimensions where transformation is required.

Coronation Fund Managers fully endorses this Charter and will focus on all the relevant dimensions it targets, namely:

Employment equity

We believe that our staff composition, at all levels, should reflect the demographics of South Africa. To ensure that we meet this objective we follow a strict recruitment and selection process. Furthermore, internal training and development programmes and financial education support are available to our staff to ensure that we can grow the necessary skills internally. Our staff composition is very close to meeting the Charter targets at junior and middle management levels, and we will further recruit black individuals at senior management level.

Skills development initiatives

We believe that effective skills transfer and individual development are critical to the success of BEE. Our focus has been on providing training and education opportunities to previously disadvantaged individuals. Our aim is to increase the number of trainee black professionals in the financial services industry, as opposed to recruiting ready-made talent. The three pillars in our approach to training and education of investment professionals are our bursary scheme, recruitment policy/job rotation and internal training/mentorship programmes. These initiatives will receive additional focus in the coming year.

Enterprise development

Coronation Fund Managers has been actively involved in a number of empowerment initiatives in the field of asset management. Our most notable successes are the establishment and development of the investment management and unit trust companies of African Harvest during its initial years; the establishment of Namibia Asset Management (Pty) Limited and Namibia Unit Trust Managers Limited in 1997, which involved a skills transfer as well as training of Namibian staff and the formation of a partnership with Kagiso Trust Investments, a highly respected black company, with the establishment of a quantitative investment management company, Kagiso Asset Management. In addition, Coronation Fund Managers allocates a material portion of its brokerage business to emerging black stockbrokers to assist in their development.

Procurement

Competitive pricing is key in our selection of service providers. We do, however, give strong preference to black businesses. In addition, where black suppliers are not competitive from a pricing aspect, we use them as back-up suppliers



in cases where the primary supplier is unable to fulfil the order. In 2004, we will undertake a major review of all our suppliers with the objective of materially increasing the portion of our discretionary expenditure we make with black businesses. We will place pressure on our existing suppliers to improve their BEE credentials and, in some cases, we will move our business to other suppliers.

Ownership and control

Meaningful black participation in the economic success of the company and in decision making at the highest levels is very important. Coronation Fund Managers listed on the JSE Securities Exchange South Africa on 13 June 2003 and therefore ownership of the company is, to an extent, open to all South Africans. Indications are that there is a fairly significant indirect black ownership of the company via retirement funds and life insurance companies. Coronation Fund Managers intends addressing the need for direct black shareholders in the coming year. Increasing the degree of black representation of the company at board level, currently 25%, and at executive management level, is also a priority.

Corporate social investment

We sponsor projects that focus on human development. We work with established partners and our focus is on building sustainable relationships within the projects that we support, rather than on an ad hoc opportunistic basis.

Over the past year we have broadened our reach to include three new projects to our social investment programme, namely:

Education Alive

Education Alive is one of the leading fully affirmative educational non-governmental organisations whose aim is to upgrade school pass marks in the Western Cape. The Education Alive Programme places emphasis on the use of a dictionary, which is of vital importance to a Xhosa-speaking learner who is required to study in English. Early results indicate a significant improvement in the pass rate after completion of the workshops. Coronation Fund Managers is currently sponsoring a teacher workshop (10 teachers) and a learner workshop which includes 230 learners at Elswood Primary School in Elsies River.

Study Trust

Study Trust is an independent, national bursary agency, with an established track record dating back to 1974. It grants bursaries and loans to carefully selected disadvantaged people for study purposes. Our involvement with Study Trust is to leverage off its proven selection process and provide funding for bursaries to individuals studying towards a degree in commerce and investment management. In addition, we will provide these students with an opportunity to work for Coronation Fund Managers in order to gain the necessary work experience.

Boys Town

Boys Town facilitates an education model, which aims to enable educators to increase time for academic instruction by reducing the amount of time needed to address inappropriate behaviour in the classroom. The model provides educators with a systematic method to address appropriate and inappropriate behaviour and shows them how to make teaching social skills a part of the regular school curriculum. We have provided financial assistance to implement the programme in Langa High School in the Western Cape, and will closely monitor the success of the project before extending further support.

Full details of all the projects in which we are involved can be viewed in our brochure entitled *Recognising Potential*.

Coronation Fund Managers remains committed to the development of economic democracy in South Africa and will continue to reflect transformation at all levels of its business.

CORONATION PEOPLE

In its 10 years as a financial services group, Coronation Fund Managers has developed a culture which continues to play an important role in the group's growth and development. The business employs outstanding, motivated teams of people with a diversity of skills, knowledge and experience. Working structures are designed to encourage people to work hard, to take accountability and to ultimately perform. Core values include integrity, encouraging innovation, and creating client value. People are empowered and corporate hierarchy is reduced to a minimum. This approach, coupled with an effective incentivisation system, has resulted in considerable growth and strong returns.

The group is transforming its staff profile to one that is more representative of the demographics of the country. Steps are being taken to increase the proportion of professional staff from previously disadvantaged backgrounds and to constantly improve the training and development facilities necessary to create a source of professional empowerment staff.

The board is cognisant of the fact that the group's success and future promise are dependent on the commitment and quality of its people. In this regard the board is confident that Coronation's employment practices and working environment will continue to enable it to attract and retain talented people.

CORONATION EMPLOYEES

At 30 September

	2003	2002
Local	113	109
International	20	22
Total	133	131

SOUTH AFRICA PROFILE

	2003	By race		2002	%
		%			
ACI	47	42	39	36	
White	66	58	70	64	
Total	113	100	109	100	

	2003	By gender		2002	%
		%			
Male	54	48	57	52	
Female	59	52	52	48	
Total	113	100	109	100	

ACI = African, Coloured and Indian

	ACI		White		Total		Grand total
	Male	Female	Male	Female	Male	Female	
Top management	–	1	7	–	7	1	8
Senior management	1	–	4	2	5	2	7
Professionally qualified and experienced specialists and middle management	9	4	15	12	24	16	40
Skilled technical and academically qualified staff, junior management and supervisors	8	9	6	12	14	21	35
Semi-skilled and discretionary decision making	3	12	1	7	4	19	23
Unskilled and defined decision making	–	–	–	–	–	–	–
Total	21	26	33	33	54	59	113



REMUNERATION POLICY

Attracting, motivating and retaining the best quality staff is the key to the future success of the group. A critical factor in this regard is the remuneration policy, which is linked directly to performance and acts as a strong incentive to professional staff. Low basic salaries are combined with potentially high performance-based profit participation in the form of bonuses allocated from a bonus pool. As a result, exemplary performance is recognised with exceptional rewards.

The bonus pool is an amount equal to 30% of the consolidated pre-tax profits of the group.

The remuneration committee examines the recommendations of the remuneration exco which comprises the chief executive officer, the group chief investment officer and such other senior executives as the chief executive officer may from time to time deem necessary in determining and subsequently approving the individual remuneration packages.

Non-executive directors will receive fees for their services as directors and for services as members of committees of the board.

As the group is a fund management business, the majority of senior staff are investment professionals, and their remuneration should therefore be linked to investment performance rather than earnings per share or share price appreciation. Exceptional investment returns for clients should ensure exceptional rewards for the investment staff. This is a significant factor in the allocation process of the bonus pool and is an integral and fundamental component of the company's operational philosophy and structure.

While this has proved a satisfactory and successful policy for motivating staff on a shorter-term basis, the directors are of the view that a longer-term incentive in the form of a share option scheme is a necessary adjunct to the existing basis of remuneration. A share incentive trust has been established but, as at 30 September 2003, no share options had been issued to staff. We anticipate that the first issue, amounting to approximately 4% of the issued share capital, will take place before the end of December 2003 at a market-related price. The non-executive directors do not qualify for participation in the scheme.

In view of the need for the chief executive officer to have a wider focus than the investment professionals, a remuneration system, which aligns his interests more closely with those of the shareholders, is in place. Actual share ownership is considered an essential element in ensuring the appropriate motivation. Accordingly, it was decided that the chief executive officer apply his own capital to acquire preference shares in the company. These shares are convertible into ordinary shares on a one-for-one basis after three, four and five years, subject to predetermined earnings per share and growth in share price targets being achieved over the period. These preference shares were allotted and issued to the chief executive officer on 30 September 2003.

RISK MANAGEMENT

Risk is an inherent part of the group's business and activities. Risk management within the group is a multi-faceted process which involves independent monitoring, frequent communication, the application of judgement and detailed knowledge of specialised products and markets. Senior management takes an active role in the risk management process and is responsible for the maintenance of, and ultimately compliance with, the risk management framework. The group recognises that in a complex financial services environment, risk management processes are evolutionary and should be subject to ongoing review and modification. The group has taken steps to formalise its risk management framework and processes.

The board has delegated responsibility for the implementation of the risk framework to risk management functions in the operating companies. These functions, which are subject to review by senior management, are responsible for identifying the risks the companies face, ensuring that the controls established to manage those risks are effective, and for monitoring the application of the controls. The risk management functions are also responsible for ensuring that consistent policies and procedures are established for measuring, managing and reporting risk. The board is kept informed through interaction between the executive members of the board and those responsible for the risk management functions, as well as more structured feedback at quarterly board meetings.

RISK CATEGORIES

The group has identified a number of risks as being of particular significance to its business. Some of these risk categories are more applicable to the management of client funds than to the company itself but are still an integral part of risk management for which the board is ultimately responsible.

Credit risk

Credit risk is the risk of loss resulting from the default of counterparties. Credit risk includes counterparty as well as settlement risk. The group has a credit risk committee dedicated solely to credit review and analysis of short-term and long-term fixed income instruments and issuers and assessment of the exposure to such instruments and issuers.

The committee is chaired by an independent chairman (i.e. a non-Coronation employee) with extensive experience in banking in order to provide insight and experience in the management of credit exposure as well as to provide an unbiased and fresh perspective to the credit selection process. The remaining members of the committee are comprised of representatives of the fixed interest team, equity analysts and members of the compliance team.

Settlement risk is the risk that a counterparty fails to deliver cash or securities or to honour third-party payments upon conclusion of a transaction. Exposure to high-risk counterparties and excessive exposure to any single counterparty, rating class or product is avoided.

Market risk

Market risk is the risk that the value of the group's balance sheet positions will be adversely affected by movements in equity and interest rate markets, currency exchange rates and commodity prices. The group's revenue is dependent on the value of its assets under management, which is subject to the above market risk factors. The group manages market risk through its structured investment process.

Operational risk

In addition to the risks described above, the group recognises the existence of a number of other risks which affect its business and which are often referred to as "operational risk". The key elements of operational risk are considered to be transaction processing risk, legal risk, compliance risk, information technology risk and key personnel risk.

These risks are regularly assessed and are managed in the context of their likelihood of occurrence and their impact on the business should they occur.

Reputational risk

The group recognises the importance of its reputation and devotes considerable effort, at a senior level, to managing all aspects of that reputation. Risks of reputational damage are assessed and measures are taken to ensure that these risks are effectively managed.



INTRODUCTION

Coronation Fund Managers confirms its commitment to a balanced approach to effective corporate governance. The directors endorse the principles of the Code of Corporate Practices and Conduct contained within the King Report on Corporate Governance for South Africa 2002 ("King II").

The directors have considered the implications of King II and are of the opinion that, except as set out below, the group has, in all material respects, complied with the requirements of King II since the listing of the group. Areas requiring further enhancement will be considered during the 2004 financial year.

BOARD OF DIRECTORS

The company has a unitary board, comprising one executive director and three non-executive directors, two of whom are independent. The non-executive directors have the necessary integrity, skills and experience to bring independent judgement to bear on board deliberations and discussions. The chairman is non-executive but is not considered to be independent in terms of the King II definition. However, the board believes that a strong independent element already exists as the remaining non-executive directors make up 50% of the board, which provides the necessary objectivity for its effective functioning. The roles of chairman and chief executive officer are separate. The directors are listed on page 3 together with a brief curriculum vitae of each director.

The board's primary responsibility is to increase shareholder wealth. The board is accountable to shareholders and is responsible for, as well as actively managing relationships with, its various stakeholders. In fulfilling its primary responsibility, the board is aware of the importance of achieving a balance between conformance to governance principles and economic performance. A board charter has not been formally adopted yet.

The board is responsible for appointing the chief executive officer, guiding and reviewing corporate strategy, considering major initiatives and for risk policy. Executive management is accountable to the board for the development and implementation of strategy and policies. The board regularly reviews group performance, matters of strategic concern and any other matters it regards as material.

The board accepts the role of a nominations committee. The full board is responsible for selection of new directors and for making recommendations to shareholders for the appointment of new directors and for the reappointment of existing directors. There are no service contracts for non-executive directors. In terms of the articles of association of the company, at least one third of the directors are required to retire each year. The directors who are required to retire are those who have been in office the longest since their last election or appointment. The retiring directors may make themselves eligible for re-election. The executive director has a service contract with the company containing a one-month notice period.

The board has full and effective control of the group. Control is exercised through senior management and the subsidiary boards.

There is disclosure of the individual executive and non-executive directors' emoluments and shareholdings in the annual financial statements.

The board meets quarterly and additional meetings may be convened as required. Material decisions may be taken between meetings by way of written resolution, as provided for in the articles of association. The non-executive directors are briefed on business developments between board meetings. The board met once during the period under review as the company only became the holding company of the group on 30 April 2003 and was listed in June 2003. Attendance at the meeting was as follows:

	July
GMC Ryan	✓
MM du Toit	✓
E Molobi	A
WT Floquet	✓

✓ Present

A Absent with apologies

AUDIT COMMITTEE

The members of the audit committee are:

WT Floquet ¹	Chairman
GMC Ryan ²	Chairman of the board and the remuneration committee
MM du Toit ³	Chief executive officer

Audit committee meetings are held at least three times a year. They are attended by the group chief financial officer, compliance officer, the external auditors from KPMG Inc. and representatives from Deloitte & Touche's Enterprise Risk Services to whom aspects of the internal audit function have been outsourced.

The internal and external auditors have unrestricted access to the chairman of the committee and the committee has unrestricted access to the group's management, employees, internal and external auditors as well as access to outside consultants.

The committee has written terms of reference which have been approved by the board. The principal function of the committee is to assist the board in discharging its duties in regard to certain financial matters. These include considering the integrity, reliability and accuracy of accounting and reporting systems, assessing the processes established to ensure the effectiveness of accounting controls and risk management systems, evaluating the effectiveness of internal audit, maintaining transparent and appropriate relationships with the group's external auditors, and reviewing the group's financial statements and other financial disclosures to shareholders. It is intended that the ambit of the committee's responsibilities be extended to formally include risk management and compliance and that revised terms of reference be drawn up and approved by the board.

The committee also met only once during the period under review due to the corporate restructure. Attendance at the meeting was as follows:

	July
GMC Ryan	✓
MM du Toit	A
WT Floquet	✓
✓ Present	
A Absent with apologies	

REMUNERATION COMMITTEE

The members of the remuneration committee are:

GMC Ryan ²	Chairman, and chairman of the board
WT Floquet ¹	Chairman of the audit committee
MM du Toit ³	Chief executive officer (resigned 10 December 2003)

In compliance with King II, Mr MM du Toit, the chief executive officer, has resigned as a member of the remuneration committee. The committee is chaired by a non-executive director, but not by an independent director which is not consistent with the recommendations of King II.

The committee will meet twice a year in April and October to coincide with the two bonus payment times of the year. No meetings of the committee were held during the financial period since the company only became the holding company of the group on 30 April 2003. However, the performance bonus payments for the six months ended 30 September 2003 and the annual remuneration package adjustments that were paid to employees on 30 September 2003 were ratified by the committee at its first official meeting on 13 November 2003. Remuneration payments prior to the group restructure were approved by the remuneration committee of Coronation Investment Management (Pty) Ltd.

Written terms of reference have been prepared for the committee and will be approved by the board at its next meeting.

The committee's primary objective is to ensure that the appropriate calibre of management is recruited and retained. It approves the group's remuneration philosophy and policies and ensures that directors and senior executives are appropriately rewarded for their contribution to group performance, with specific focus on incentives and longer-term remuneration structures. Local and international remuneration levels and trends are taken into consideration.

¹ Independent non-executive ² Non-executive ³ Executive



The committee will also consider, at an overall level, remuneration levels and conditions of service of employees, other than executives, to ensure that these are fair and in line with the group's remuneration policy.

The remuneration committee examines the recommendations of the remuneration exco which comprises the chief executive officer, the group chief investment officer and such other senior executives as the chief executive officer may from time to time deem necessary in determining and subsequently approving the individual remuneration packages.

Non-executive directors will receive fees for their services as directors and for services as members of committees of the board. These fees had not yet been determined at year-end and will be agreed by the board on the recommendations of the remuneration committee at its next meeting.

INTERNAL AUDIT AND INTERNAL CONTROLS

Whilst the audit committee believes that the group benefits from an internal audit function, it does not believe that it is necessary for the performance of the actual work to be conducted by an in-house function. The group therefore contracts an auditing firm to fulfil the internal audit functions at the relevant subsidiaries. This role is provided by Deloitte & Touche Enterprise Risk Services. Deloitte & Touche provides the appropriate independence and objectivity to assist the board in discharging its responsibilities.

The internal audit function performs an independent appraisal with the full co-operation of the board and management. Its objective is to assist members of executive management in the effective execution of their responsibilities through an examination and evaluation of the subsidiaries' activities, business risks and systems of internal control. Any material or significant control weaknesses are brought to the attention of management and the audit committee.

Consultation takes place between the internal and external auditors during the year to ensure that all identified financial, operational and compliance controls are appropriately covered, and to minimise duplication of effort. At the start of each year an internal audit plan is developed and presented to the audit committee for approval. The plan is based on a formal risk assessment together with issues identified by management and the audit committee. Planning is of a continuous nature to identify new risk areas as the group develops.

The directors acknowledge their responsibility for the overall process of risk management and monitoring. Management is accountable to the executive director for ensuring that the risk management process is incorporated into the day-to-day activities of the group companies, which includes design, implementation and monitoring thereof. The internal audit function does not assume the function of risk management but is used to provide an independent assessment of the effectiveness of the internal controls.

A compliance function exists to provide assurance in respect of compliance with applicable laws, regulations and supervisory requirements. The regulatory environment has become increasingly more stringent, impacting both the business and our clients, and the compliance function has been expanded to cater for this. The key features of the past year have been:

- ▶ The Financial Intelligence Centre Act, which aims to combat money laundering in South Africa, resulted in the implementation of a thorough "Know Your Client" process for both new and existing clients. The Act also requires for the reporting of any suspicious transactions.
- ▶ New exchange control requirements which set out the new process for the reporting of foreign asset exposures and application processes for additional foreign exposures.
- ▶ The introduction of the Collective Investment Schemes Control Act which replaced the Unit Trusts Control Act.
- ▶ Preparation for the implementation of The Financial Advisory and Intermediary Services Act.

Additional information on risk management has been provided on page 22.

DEALING IN SECURITIES AND PERSONAL ACCOUNT TRADING

Dealing in securities

The company complies with the continuing obligations of the Listings Requirements of the JSE Securities Exchange South Africa (the JSE Listings Requirements) as they apply to dealing in securities by the directors and company secretary. The executive director and non-executive directors as well as the company secretary are required to obtain prior written approval from the chairman for all dealings in the company's shares (including off-market transactions). For the chairman's own dealings, prior written approval must be obtained from an independent non-executive director (the chairman of the audit committee, Mr Floquet, has been nominated as the designated director for this purpose).

Once clearance has been obtained the company secretary will file a written record of such clearance, and as soon as the trade has been executed, ensure that disclosure is made on SENS in terms of the JSE Listings Requirements.

These conditions apply to shares held directly, indirectly, beneficially or non-beneficially and also apply to:

- ▶ any associate of the director as defined in the JSE Listings Requirements;
- ▶ any independent entity, in terms of which, any director, associate or the company secretary may derive any beneficial or non-beneficial interest either now or in the future.

With effect from 1 January 2004, in accordance with the JSE Listings Requirements, these obligations will also apply to the directors and company secretaries of major subsidiary companies (as defined in paragraph 3.35 of the JSE Listings Requirements) within the group.

Closed periods

In terms of the company's "closed period" policy, all directors and staff are prohibited from dealing in Coronation Fund Managers shares from the date such a period is declared prior to the interim or year-end up until the announcement of the interim or final results on SENS.

Personal account trading

The company has stringent personal account trading rules for its staff. All trades are pre-approved by the compliance officer after a client order check has been performed by the order implementation unit. Personal account trades are permitted where there are client orders only if the security in question is included in the FTSE/JSE Top 40 Index since these securities are considered to be highly liquid and a personal account trade would not be to the detriment of any client. Personal account trades in securities falling outside of the FTSE/JSE Top 40 Index (illiquid) are not permitted if client orders are in place, irrespective of any price limits at which these orders may have been placed.

No turnaround of less than six months is permitted. All staff may only open accounts with the company's designated broker for personal account trading, which facilitates the monitoring process.

GOING CONCERN

After making due enquiries, the directors expect that the group has adequate resources to continue to operate for the foreseeable future. For this reason the financial statements have been prepared on the going concern basis.

INVESTOR RELATIONS

The company understands the information needs of shareholders and strives to ensure that they are kept appropriately informed on matters relevant to the group.

A comprehensive programme of meetings with major shareholders and analysts was held prior to the listing of the company and again following the release of the final results. The company intends maintaining this practice going forward.

The chief executive officer and the group chief financial officer are the only persons authorised to speak to analysts, investors and the media, on the financial affairs of the group.

CODE OF ETHICS

The company's code of ethics is designed to set standards of behaviour and focuses on respecting client confidentiality, avoiding conflicts of interest and on conducting business with total integrity and honesty.

EMPLOYMENT EQUITY PROGRAMME

The company's employment equity programme and response to the Financial Sector Charter are detailed on page 18.

COMPANY SECRETARY AND PROFESSIONAL ADVICE

All directors have unlimited access to the services of the company secretary, who in turn has access to appropriate resources to provide this support. All directors are also entitled to seek independent professional advice with regard to the affairs of the company.

AUDITOR INDEPENDENCE

The group financial statements have been audited by the independent auditors KPMG Inc. The company has no reason to believe that KPMG Inc. has not at all times acted with unimpaired independence. Details of fees paid for audit and non-audit services are disclosed in the financial statements.

CONTENTS OF THE FINANCIAL STATEMENTS

28	Directors' responsibility for the financial statements
29	Report of the independent auditors
29	Declaration by the company secretary
30	Directors' report
34	Accounting policies
38	Group income statement
39	Group balance sheet
40	Group statement of changes in equity
41	Group cash flow statement
42	Notes to the financial statements
59	Principal subsidiaries and associates

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

In accordance with Companies Act requirements, the directors are responsible for the preparation of the financial statements which conform with South African Statements of Generally Accepted Accounting Practice and which fairly present the state of affairs of the company and the group as at the end of the financial period, and the net income and cash flows for that period.

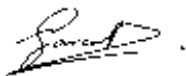
It is the responsibility of the independent auditors to report on the fair presentation of the financial statements.

The directors are ultimately responsible for the internal controls. Management enables the directors to meet these responsibilities. Standards and systems of internal control are designed and implemented by management to provide reasonable assurance as to the integrity and reliability of the financial statements and to adequately safeguard, verify and maintain accountability for group assets. Appropriate accounting policies, supported by reasonable and prudent judgements and estimates, are applied on a consistent and going concern basis.

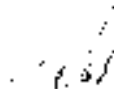
Based on the information and explanations given by management and the internal and external auditors, the directors are of the opinion that the accounting controls are adequate and that the financial records may be relied upon for preparing the financial statements and maintaining accountability for the group's assets and liabilities. Nothing has come to the attention of the directors to indicate that any breakdown in the functioning of these controls, resulting in material loss to the group, has occurred during the period and up to the date of this report.

The directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

The financial statements which appear on pages 30 to 59 were approved by the board of directors on 18 December 2003 and signed on its behalf by



Gavan Ryan
Chairman



Thys du Toit
Chief executive officer

REPORT OF THE INDEPENDENT AUDITORS

To the members of Coronation Fund Managers Limited

We have audited the annual financial statements and group financial statements of Coronation Fund Managers Ltd set out on pages 30 to 59 for the period ended 30 September 2003. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

SCOPE

We conducted our audit in accordance with statements of South African Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- assessing the accounting principles used and significant estimates made by management; and
- evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

AUDIT OPINION

In our opinion these financial statements fairly present, in all material respects, the financial position of the company and of the group at 30 September 2003 and the results of their operations and cash flows for the period then ended in accordance with South African Statements of Generally Accepted Accounting Practice, and in the manner required by the Companies Act in South Africa.

KPMG Inc.

KPMG Inc.

Registered Accountants and Auditors

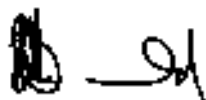
Chartered Accountants (SA)

18 December 2003

Cape Town

DECLARATION BY THE COMPANY SECRETARY

In terms of the Companies Act No. 61 of 1973 (the Act), and for the period ended 30 September 2003, I certify that Coronation Fund Managers Ltd has lodged all returns required by the Act with the Registrar of Companies and that all such returns are true, correct and up to date.



Derek McDonald

Company secretary

DIRECTORS' REPORT

for the period ended 30 September 2003

BUSINESS ACTIVITIES

Coronation Fund Managers Ltd is an investment holding company and was listed on the JSE Securities Exchange South Africa (JSE) on 13 June 2003, in the Financials – Speciality and other Finance sector.

The group offers a comprehensive range of traditional South African fund management investment products and alternative multimanager international investment products to institutional and individual investors.

The business is located in South Africa, the United Kingdom and Ireland.

The group's business model focuses on being a "product provider", utilising non-affiliated distribution channels for sales purposes. All non-core activities are outsourced and the business concentrates on consistently delivering superior investment returns, developing and offering products in response to changing market needs, attracting high-calibre people who are rewarded directly for their contributions, and maintaining strong relationships with investment advisors, consultants and clients.

RESTRUCTURE AND LISTING

On 30 April 2003, Coronation Fund Managers, previously Coronation Investment Services (Pty) Ltd was converted into a public company and changed its name to Coronation Fund Managers Ltd as a preliminary step to the listing, and thereupon became the holding company of Coronation Investment Management (Pty) Ltd and its subsidiaries.

On 30 April 2003, Coronation Fund Managers acquired the entire issued share capital of Coronation Investment Management (Pty) Ltd from Coronation Holdings Ltd for a total consideration of R1 757 million, in terms of a company formation transaction as contemplated in section 42 of the Income Tax Act. The purchase consideration was settled by the issue of 382 274 830 Coronation Fund Managers shares to Coronation Holdings Ltd. The Coronation Fund Managers shares were unbundled to Coronation Holdings Ltd shareholders as part of the Coronation Holdings Ltd distributions in the ratio of five Coronation Fund Managers shares for each Coronation Holdings Ltd share held, in terms of an unbundling transaction as contemplated in section 46 of the Income Tax Act.

The listing of Coronation Fund Managers was implemented to achieve the following objectives:

- ▶ To establish Coronation Fund Managers as a business with its own public profile
- ▶ To provide Coronation Fund Managers with access to capital markets for the future evaluation of acquisition opportunities
- ▶ To enable Coronation Fund Managers to acquire a broader, more representative range of shareholders in the long term
- ▶ To facilitate a meaningful share incentive scheme for the management and staff of Coronation Fund Managers which directly aligns their interests with those of the company
- ▶ To unlock value for Coronation Holdings Ltd shareholders
- ▶ To enhance transparency and awareness of Coronation Fund Managers' business to clients and investors
- ▶ To afford Coronation Fund Managers the opportunity to appoint non-executive directors with relevant experience and business acumen to contribute to the operation's future business strategy

GROUP RESULTS

A general review of the operations of the institutional, retail and international businesses is provided in the chief executive officer's review on page 8.

In difficult market conditions, it is pleasing to report that Coronation Fund Managers has delivered a solid performance in its maiden set of results as a listed group. For the five months ended 30 September 2003, headline earnings totalled R60,9 million and annualised headline earnings per share were 38,3 cents based on the 382 274 930 shares in issue throughout the period.

Assets under management increased to R53,7 billion (30 April 2003: R48,1 billion). The South African business produced a good performance as a result of strong recurring income and superior local investment returns. The results of the international business were subdued due to the strengthening rand, an increase in costs and lower performance fees.

The financial statements for the period ended 30 September 2003 have been prepared in accordance with the requirements of South African Generally Accepted Accounting Practice. AC133 – Financial Instruments: Recognition and Measurement has been applied in full for the first time in the current financial period. The comparatives contained in the group financial statements are not meaningful as they relate to the company ultimately used in the restructuring transaction.

A segment report has been included as note 19 to the financial statements on page 51.

ACCOUNTING FOR GROUP RESTRUCTURING

The pro forma financial statements presented in the pre-listing statement of Coronation Fund Managers accounted for the acquisition of Coronation Investment Management (Pty) Ltd and its subsidiaries in terms of the purchase method of accounting as per the accounting pronouncement AC131: Business Combinations, and as such goodwill of R1 657 million was recognised. As at 30 April 2003, both Coronation Fund Managers and Coronation Investment Management (Pty) Ltd were wholly-owned subsidiaries of Coronation Holdings Ltd. As the acquisition was between enterprises under common control, the decision to recognise goodwill has been reversed in these financial statements as AC131 does not apply to transactions of this nature.

On the basis that the mechanism used to fund the purchase of the subsidiaries was an issue of shares at a premium, the difference between the net assets acquired and the consideration of R1 757 million has been written off against share premium at group level in order to reflect the transaction at net asset value.

As Coronation Fund Managers Ltd only acquired the shares in Coronation Investment Management (Pty) Ltd on 30 April 2003, five months of consolidated income is reported.

SHARE CAPITAL

Ordinary shares

Prior to the acquisition of the shares in Coronation Investment Management (Pty) Ltd from Coronation Holdings Ltd, Coronation Fund Managers' authorised ordinary share capital comprised R4 000 divided into 4 000 ordinary shares with a par value of 100 cents each, of which 600 were in issue.

On 30 April 2003, the Coronation Fund Managers shares were the subject of a subdivision on a 10 000:1 basis. Following the subdivision, Coronation Fund Managers' ordinary share capital comprised 40 000 000 authorised shares and 6 000 000 shares of 0,01 cent each issued to Coronation Holdings Ltd. On the same day, the company increased the authorised ordinary share capital by R71 000 to R75 000, divided into 750 000 000 ordinary shares of 0,01 cent each.

Coronation Fund Managers subsequently bought back and cancelled 5 999 900 ordinary shares to reduce its issued share capital to 100 issued shares with a par value of 0,01 cent each.

Coronation Fund Managers then issued 382 274 830 ordinary shares to Coronation Holdings Ltd at a premium of R1 757 million as consideration for the acquisition of the entire issued share capital of Coronation Investment Management (Pty) Ltd.

The following resolutions were passed at a general meeting of the company on 15 April 2003 to achieve the aforementioned restructuring:

- ▶ Special resolutions to approve the subdivision, repurchase and cancellation of shares
- ▶ An ordinary resolution to place the unissued share capital under the control of the directors

Preference shares

On 30 April 2003 Coronation Fund Managers created 7 600 000 convertible cumulative redeemable preference shares of 0,01 cent each in terms of its articles of association.

On 30 April 2003, the 7 600 000 preference shares were placed under the control of the board of directors of the company as a specific authority to allot and issue same, at a premium of 171,99 cents per share, to MM du Toit, the company's chief executive officer. The preference shares were issued to MM du Toit on 30 September 2003.

The preference shares:

- ▶ are convertible into ordinary shares on a one-for-one basis after three, four and five years, subject to the achievement of predetermined earnings per share and share growth targets;
- ▶ confer on the holders thereof the right to receive out of the divisible profits of the company a cumulative annual preferential cash dividend at a rate of 66% of the prime rate of interest on the capital paid up thereon plus any arrear dividends;
- ▶ rank pari passu with the ordinary shares as to voting rights; and
- ▶ are redeemable upon the occurrence of certain events stipulated in the articles of association.

DIRECTORS' REPORT – continued
for the period ended 30 September 2003

Further information relating to the rationale for the issue of the preference shares to the chief executive officer is contained in the remuneration policy section on page 21.

SHAREHOLDER ANALYSIS

Based on information provided by STRATE and Computershare, the following shareholders have a beneficial interest of more than 5% in the issued ordinary shares of the company as at 30 September 2003:

Coronation Investments and Trading Ltd	54,98%
Rand Merchant Bank Ltd	5,46%

Further details appear on page 60.

SUBSIDIARIES AND ASSOCIATES

Details of principal subsidiaries and associates are set out on page 59.

During the period the shareholding in FinSource (Pty) Ltd held by Coronation Investment Management (Pty) Ltd was increased from 20% to 26,29%.

DIRECTORS AND SECRETARY

As a result of the restructure and listing AJ Gibson, JA Snalam, LF Stassen and MF Wierzycka resigned as directors on 1 April 2003. GMC Ryan, WT Floquet and E Molobi were appointed as non-executive directors on 1 April 2003, with GMC Ryan elected as chairman. MM du Toit was appointed the chief executive officer at this time.

Profiles of the directors are provided on page 3.

Details of the company secretary and the company's registered address are set out on page 64. The business address of the company secretary is the same as the company's registered address.

In terms of the company's articles of association, one third of the directors are required to retire from office each year. The directors who are required to retire are those who have been in office the longest since their last election or appointment. This year Messrs WT Floquet and E Molobi were selected by lot and retire in terms of these stipulations, and make themselves available for re-election.

DIRECTORS' INTERESTS

No material contracts were entered into during the financial year in which directors or officers of the company had an interest.

At 30 September 2003, the directors' direct and indirect beneficial interests in the issued share capital of the company were:

	Number of shares	%
Ordinary shares		
GMC Ryan (indirect beneficial)	28 657 750	7,50
MM du Toit (indirect beneficial)	1 091 605	0,29
Directors of subsidiary companies	2 538 570	0,66
Preference shares		
MM du Toit	7 600 000	100,00

DIRECTORS' EMOLUMENTS

Payments to directors for services rendered for the five months ended 30 September 2003 were as follows:

	Salary R'000	Bonus R'000	Paid by subsidiary companies		Total R'000
			Pension fund contributions R'000	Medical aid contributions R'000	
Executive director					
MM du Toit	105	1 237	41	18	1 401

Subsequent to the year-end and after the completion of a peer group survey of non-executive directors' fees, the following fees were unanimously approved by the board of directors for the five months ended 30 September 2003 based on the recommendations of the remuneration committee.

	Basic fee R'000	Board meetings R'000	Audit Remuneration		Total R'000
			committee meetings R'000	committee meetings R'000	
Non-executive directors					
GMC Ryan	25	15	10	10	60
E Molobi	25	–	–	–	25
WT Floquet	25	10	15	5	55
Total	75	25	25	15	140

DIVIDEND

It is the intention to declare dividends annually at the discretion of the board of directors. A dividend of 12 cents per ordinary share was declared on 14 November 2003. This equates to approximately 75% of the earnings for the five-month period to 30 September 2003. The last day to trade ("cum" the dividend) in order to participate in the dividend was Friday, 5 December 2003. The shares of Coronation Fund Managers commenced trading "ex" dividend on Monday, 8 December 2003, and the record date was Friday, 12 December 2003. Dividends were paid to members on Monday, 15 December 2003.

EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

No material facts or circumstances have arisen between the dates of the balance sheet and this report which affect the financial position of the group as reflected in these financial statements.

HOLDING COMPANY

The group's ultimate holding company is Coronation Investments and Trading Ltd, a company incorporated in the Republic of South Africa.

ACCOUNTING POLICIES

for the period ended 30 September 2003

The financial statements incorporate the principal accounting policies set out below. The accounting policies of the subsidiaries are consistent with those of the holding company.

1.1 BASIS OF PREPARATION

The financial statements and group financial statements are prepared on the historical cost basis, except as disclosed below.

1.2 BASIS OF CONSOLIDATION

Investment in subsidiaries

Subsidiaries are those entities over whose financial and operating policies the group has the power to exercise control, so as to obtain benefits from their activities.

The group financial statements incorporate the assets, liabilities and results of the operations of the company and its subsidiaries. The results of subsidiaries acquired and disposed of during a financial year are included from the effective date of acquisition and to the effective date of disposal. Where necessary, the accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by the group.

Investments in associates

An associate is an enterprise over whose financial and operating policies the group has the ability to exercise significant influence and which is neither a subsidiary nor a joint venture of the group.

The equity method of accounting for associates is adopted in the group and in the company's financial statements. In applying the equity method, account is taken of the group and the company's share of accumulated retained earnings and movements in reserves from the effective date on which the enterprise became an associate and up to the effective date of disposal.

Goodwill arising on the acquisition of associates is included in the carrying amount of the associate and is treated in accordance with the group's accounting policy for goodwill.

The share of associated retained earnings and reserves is generally determined from the associate's latest audited financial statements.

Where the group's share of losses of an associate exceeds the carrying amount of the associate, the associate is carried at nil value. Additional losses are only recognised to the extent that the group has incurred obligations or made payments on behalf of the associate.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated to the extent of the group's interest in the enterprises.

1.3 GOODWILL

Goodwill is any excess of the cost of an acquisition over the group's interest in the fair value of the identifiable assets and liabilities acquired at the date of acquisition. Goodwill is carried at cost less accumulated amortisation and impairments. The carrying amount is reviewed annually for impairment. Goodwill arising on the acquisition of subsidiaries and associates is amortised to the income statement over its economic useful life, not exceeding 20 years. Goodwill is not recognised with respect to transactions among enterprises under common control.

1.4 EQUIPMENT

All items of equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

Where an item of equipment comprises major components with different useful lives, the components are accounted for as separate items of equipment.

Depreciation is provided on the straight-line basis at rates calculated to amortise the cost of the assets to their estimated residual values over their estimated useful lives.

Subsequent expenditure relating to an item of equipment is capitalised when it is probable that future economic benefits from the use of the asset will be increased. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

Surpluses (deficits) on the disposal of equipment are credited (charged) to income. The surplus or deficit is the difference between the net disposal proceeds and the carrying amount of the asset.

1.5 LEASES

Operating leases

Leases where the lessor retains the risks and rewards of ownership of the underlying asset are classified as operating leases. Payments made under operating leases are charged against income on a straight-line basis over the period of the lease.

1.6 IMPAIRMENT

The carrying amounts of the group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If there is any indication that an asset may be impaired, its recoverable amount is estimated. The recoverable amount is the higher of its net selling price and its value in use.

In assessing value in use, the expected future cash flows from the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

A previously recognised impairment loss is reversed if the recoverable amount increases as a result of a change in the estimates used to determine the recoverable amount, but not to an amount higher than the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior years.

1.7 FINANCIAL INSTRUMENTS

Measurement

Financial instruments are initially measured at cost, which includes transaction costs. Subsequent to initial recognition these instruments are measured as set out below.

Securities held for trading

Securities held for trading are those that the group principally holds for the purpose of short-term profit taking and those designated as trading in terms of AC133: Financial instruments – Recognition and measurement. Securities held for trading are carried at fair value. Fair values are obtained from quoted market prices. Gains and losses arising from the revaluation of securities held for trading are included in income.

Loans and receivables originated by the enterprise

These include the group's investment in films and are measured at amortised cost.

Available-for-sale financial assets

Available-for-sale financial assets are financial assets that are not classified as one of loans and receivables originated by the group, held-to-maturity investments or held for trading. These include the group's holding in listed mutual funds, various unlisted investments and the company's investment in its subsidiary.

Listed investments classified as available-for-sale financial assets are carried at market value, which is calculated by reference to stock exchange quoted selling prices at the close of business on the balance sheet date. Unlisted investments classified as available-for-sale financial assets are shown at fair value, unless their fair value cannot be reliably determined, in which case they are shown at cost less accumulated impairment losses.

Gains and losses arising on revaluation of available-for-sale financial assets are recognised directly in equity until the financial asset is sold, collected or otherwise disposed of, or until the financial asset is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in income.

Linked assets backing policyholders' funds

Linked assets backing policyholders' funds are held at fair value, with fair value movements reflected in the income statement.

Investment contracts issued by Coronation Life Assurance Ltd

Linked investment contracts, which are contracts of insurance in legal form but which do not transfer significant insurance risk, are recorded at fair value. Fair value is determined by reference to the addendum to PGN104 issued by the Actuarial Society of South Africa.

Investment contracts are designated-as-trading financial liabilities. All gains and losses on those liabilities, whether realised or unrealised, are reflected in income in the year in which they arise, and are equivalent to the gains and losses on the linked assets backing policyholders' funds.

Trade and other receivables

Trade and other receivables originated by the group are stated at cost less provision for doubtful debts.

Cash and cash equivalents

Cash and cash equivalents are measured at fair value, based on the relevant exchange rates at balance sheet date.

Offset

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet when the group has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis or to realise the amount and settle the liability simultaneously.

1.8 REVENUE

Revenue comprises fee income, interest and investment income and includes realised and unrealised profits or losses on sale or revaluation of securities held for trading.

Fee income

Management and service fee income is recognised on an accrual basis when the service is rendered.

Performance fee income is recognised when earned as and when the group is unconditionally entitled to the revenue and no contingency with respect to future performance exists.

Interest income

Interest income is recognised in the income statement on an accrual basis using the effective interest rate method.

Dividend income

Dividends are deemed to accrue to the group when the right to receive payment is established.

1.9 TAXATION

Current tax comprises tax payable calculated on the basis of the expected taxable income for the year, using the tax rates effective at the balance sheet date, and any adjustment of tax payable for previous years.

Deferred tax is provided using the balance sheet liability method, based on temporary differences. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax is charged to the income statement except to the extent that it relates to a transaction that is recognised directly in equity, or a business combination that is an acquisition.

The effect on deferred tax of any changes in tax rates is recognised in the income statement, except to the extent that it relates to items previously charged or credited directly to equity.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the associated unused tax losses and deductible temporary differences can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

1.10 EMPLOYEE BENEFITS

Short-term employee benefits

The cost of all short-term employee benefits is recognised during the period in which the employee renders the related service. The accrual for employee entitlements to remuneration and annual leave represents the amount which the group has a present obligation to pay as a result of employees' services provided to the balance sheet date. These accruals have been calculated at undiscounted amounts based on current salary rates.

Retirement benefits

Employees belong to the group's provident fund, a defined contribution plan. Contributions are charged to the income statement as incurred. The group does not have any other retirement benefit obligations.

1.11 FOREIGN CURRENCIES

Foreign currency transactions

Transactions in foreign currencies are recorded at the rate of exchange ruling at the transaction date. Gains and losses from the settlement of such transactions are recognised in the income statement. Monetary assets and liabilities denominated

in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Gains and losses arising on translation are recognised in the income statement.

Translation of foreign entities

The financial statements of foreign entities are translated into the reporting currency as follows:

- ▶ Assets and liabilities are translated at rates of exchange ruling at the balance sheet date.
- ▶ Income and expenditure and cash flow items are translated at rates of exchange ruling at the date of the transaction.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the exchange rate at the balance sheet date.

Exchange differences arising from the translation of foreign entities are taken directly to a foreign currency translation reserve, which is a non-distributable reserve.

1.12 CASH AND CASH EQUIVALENTS

For the purpose of the cash flow statements, cash and cash equivalents comprise cash on hand, deposits held on call with banks, and investments in money market instruments, net of bank overdrafts, all of which are available for use by the group unless otherwise stated.

1.13 EARNINGS PER SHARE

Earnings per share is based on earnings attributable to shareholders and calculated on the weighted average number of shares in issue during the financial period. Headline earnings per share is based on headline earnings attributable to shareholders and is calculated as above.

1.14 DIVIDENDS

Dividends are reflected in the period declared.

1.15 SEGMENT REPORTING

The basis of segment reporting is representative of the internal structure used for management reporting.

Segment results include revenue and expenses directly attributable to a segment and the relevant portion of enterprise revenue and expenses that can be allocated on a reasonable basis to a segment, whether from external transactions or from transactions with other group segments. Intersegment transfer pricing is based on cost plus an appropriate margin. These transfers are eliminated on consolidation.

Segment assets and liabilities comprise those operating assets and liabilities that are directly attributable to the segment or can be allocated to the segment on a reasonable basis. Segment assets are determined after deducting related allowances that are reported as direct offsets in the group's balance sheet.

Capital expenditure represents the total costs incurred during the period to acquire segment assets that are expected to be used during more than one period.

1.16 MANAGED FUNDS AND TRUST ACTIVITIES

Certain companies within the group operate unit trusts and hold and invest funds on behalf of clients. Assets and liabilities representing such activities are not reflected on the balance sheet, as these relate directly to clients. The value of those items are disclosed in the notes. Income from those activities is brought to account over the period to which the service relates.

1.17 COMPARATIVES

Where necessary, comparative figures have been reclassified to conform with current period presentation.

GROUP INCOME STATEMENT
for the period ended 30 September 2003

	Note	5 months 2003 R'000	12 months 2002 R'000
Revenue		164 533	2 064
Management and service fees	1	108 218	945
Performance fees, trading income and initial charges	2	41 398	(83)
Interest income		4 232	1 202
Investment income		29	–
Other income	3	10 656	–
Operating expenses		(83 767)	(74)
Interest expense		(3 170)	–
Net income before taxation	4	77 596	1 990
Income tax expense	5	(17 027)	(599)
Net income after taxation		60 569	1 391
Share of associates' retained income	8	300	–
Net income attributable to shareholders		60 869	1 391
Earnings per share (cents)			
Attributable	6	15,9	
Headline	6	15,9	
Diluted	6	15,9	
Attributable		38,2*	
Headline		38,3*	
Diluted		38,3*	

*Annualised

GROUP BALANCE SHEET
at 30 September 2003



	Note	2003 R'000	2002 R'000
ASSETS			
Equipment	7	5 889	–
Investment in associates	8	7 563	–
Financial investments	9	136 205	–
Long-term receivable	10	–	1 500
Non-current assets		149 657	1 500
Financial investments	9	6 859	–
Securities held for trading		39 339	–
Trade receivables		33 887	–
Other receivables		6 287	23 000
Taxation receivable		–	389
Cash and cash equivalents		157 029	–
Current assets		243 401	23 389
Total assets		393 058	24 889
EQUITY AND LIABILITIES			
Ordinary share capital	11	38	1
Preference share capital	11	1	–
Share premium	11	93 561	19
Non-distributable reserve	12	(3 916)	–
Distributable reserve		60 523	23 063
Total shareholders' interest		150 207	23 083
Policyholders' funds	21	10 623 395	–
Linked assets backing policyholders' funds	22	(10 623 395)	–
Interest-bearing borrowings	13	118 009	–
Deferred tax liability	14	35 402	–
Non-current liabilities		153 411	–
Trade payables		78 464	1 693
Taxation owing		10 976	–
Bank overdraft		–	113
Current liabilities		89 440	1 806
Total equity and liabilities		393 058	24 889

GROUP STATEMENT OF CHANGES IN EQUITY
for the period ended 30 September 2003

	5 months 2003 R'000	12 months 2002 R'000
Equity at beginning of period	23 083	21 692
Ordinary share capital		
Balance at beginning of period	1	1
Issue of share capital	37	–
Balance at end of period	38	1
Preference share capital		
Balance at beginning of period	–	–
Issue of preference shares	1	–
Balance at end of period	1	–
Share premium		
Balance at beginning of period	19	19
Issue of share capital	85 040	–
Share issue expenses	(4 569)	–
Issue of preference shares	13 071	–
Balance at end of period	93 561	19
Non-distributable reserve		
Balance at beginning of period	–	–
Currency translation differences	(3 916)	–
Balance at end of period	(3 916)	–
Distributable reserve		
Balance at beginning of period	23 063	21 672
Net profit for the period	60 869	1 391
Ordinary dividend – 30 April 2003	(23 409)	–
Balance at end of period	60 523	23 063
Equity at end of period	150 207	23 083

GROUP CASH FLOW STATEMENT
for the period ended 30 September 2003



	Note	5 months 2003 R'000	12 months 2002 R'000
Cash flows from operating activities			
Cash (utilised by) /generated from operations	16.1	(161 481)	1 144
Cash flow generated from return on investments		1 091	1 202
Interest income		4 232	1 202
Interest expense		(3 170)	–
Investment income		29	–
Taxation paid	16.2	(4 012)	(1 080)
Dividend paid – 30 April 2003	16.3	(23 409)	(2 000)
Net cash outflow from operating activities		(187 811)	(734)
Cash flows from investing activities			
Increase in investment in associate		(1 259)	–
Additions to equipment		(307)	–
Net cash outflow from investing activities		(1 566)	–
Cash flows from financing activities			
Share issue expenses		(4 569)	–
Increase in long-term receivables		–	(23 697)
Issue of preference shares		13 072	–
Net cash inflow/(outflow) from financing activities		8 503	(23 697)
Net decrease in cash and cash equivalents		(180 874)	(24 431)
Cash and cash equivalents at beginning of period		(113)	24 318
Cash obtained on acquisition of business	16.4	341 233	–
Exchange rate adjustments		(3 217)	–
Cash and cash equivalents at end of period		157 029	(113)

NOTES TO THE FINANCIAL STATEMENTS
for the period ended 30 September 2003

	5 months 2003 R'000	12 months 2002 R'000
1. MANAGEMENT AND SERVICE FEES		
Management fees	91 574	945
Service fees	16 644	–
	108 218	945
2. PERFORMANCE FEES, TRADING INCOME AND INITIAL CHARGES		
Performance fees	21 086	(83)
Trading income	18 815	–
– Realised gains	14 986	–
– Revaluation of securities held for trading	182	–
– Other trading income	3 647	–
Initial charges	1 497	–
	41 398	(83)
3. OTHER INCOME		
Realised and unrealised foreign exchange gains	3 808	–
Loss on scrapping of equipment	(56)	–
Licence fee income	3 390	–
Other sundry income	3 514	–
Other income	10 656	–
4. NET INCOME BEFORE TAXATION		
Net income before taxation is stated after taking into account:		
Expenses		
Amortisation of film investments	739	–
Auditors' remuneration		
– audit fee	640	4
– other services	14	–
– prior year underprovision	3	6
Depreciation		
– computer equipment	1 338	–
– furniture and fittings	336	–
– office equipment	119	–
– leasehold improvements	410	–
Operating lease payments	3 099	–
Personnel expenses	52 819	–
Provident fund contributions	2 694	–
Professional fees	3 194	–
Remuneration to FinSource (Pty) Ltd for fund administration services	7 764	–



	5 months 2003 R'000	12 months 2002 R'000
5. INCOME TAX EXPENSE		
Tax on income	14 537	596
South African normal taxation	9 932	596
South African deferred taxation	(1 427)	–
Foreign taxation	6 032	–
Other taxes and levies	2 490	3
Capital gains taxation	1 965	–
Regional Services Council levies and skills development levy	525	3
Income tax expense per income statement	17 027	599
Reconciliation of tax rate	%	%
The tax charge for the five months as a percentage of operating profit before tax	22	30
Reversal of timing differences	2	–
Capital gains taxation	3	–
Lower tax rates applicable to foreign subsidiaries	3	–
Standard rate of South African tax	30	30
6. ATTRIBUTABLE AND HEADLINE EARNINGS PER SHARE		
Earnings per share		
<i>Undiluted</i>		
Earnings attributable to shareholders	60 869	
Weighted average number of shares in issue (thousand)	382 275	
Earnings per share (cents)	15,9	
<i>Diluted</i>		
Earnings attributable to shareholders	60 869	
Number of shares in issue for diluted earnings per share (thousand)	382 275	
Diluted earnings per share (cents)	15,9	
Headline earnings per share		
<i>Undiluted</i>		
Earnings attributable to shareholders	60 869	
Loss on scrapping of equipment	56	
Headline earnings	60 925	
Weighted average number of shares in issue (thousand)	382 275	
Headline earnings per share (cents)	15,9	
<i>Diluted</i>		
Diluted headline earnings	60 925	
Number of shares in issue for diluted earnings per share (thousand)	382 275	
Diluted headline earnings per share (cents)	15,9	

The dilution will arise as a result of any future conversion of the convertible cumulative redeemable preference shares referred to in note 11. As these preference shares were issued on 30 September 2003, there is no dilutive effect in the current year.

NOTES TO THE FINANCIAL STATEMENTS – continued
for the period ended 30 September 2003

	Depreciation rate %	Cost R'000	Exchange differences R'000	Additions R'000	Depreciation R'000	Net book value R'000
7. EQUIPMENT						
Computer equipment	33,3	4 033	(15)	172	(1 338)	2 852
Furniture and fittings	16,7	2 108	(9)	70	(336)	1 833
Office equipment	20,0	703	(4)	65	(119)	645
Leasehold improvements	33,3	986	(17)	–	(410)	559
		7 830	(45)	307	(2 203)	5 889

8. INVESTMENT IN ASSOCIATES

Unlisted investments

Carrying amount at beginning of period	–	–
Arising on acquisition of business	4 345	–
Increase in investment in associates	1 259	–
Share of retained income since acquisition	300	–

Amount owing by associate

Net investment in associates

Directors' valuation of unlisted investments

Analysis of associates

FinSource (Pty) Ltd – 26,29%	5 259	–
Kagiso Asset Management (Pty) Ltd – 49%	–	–
Kagiso Securities (Pty) Ltd – 25%	2 304	–

Summarised financial statements of significant investment in associate:
FinSource (Pty) Ltd

Balance sheet

Non-current assets	17 578	–
Net current assets	2 638	–

Share capital	7 000	–
Reserves	13 000	–
Outside shareholders' interest	49	–
Long-term liabilities	167	–

	2003 R'000	2002 R'000
	–	–
	4 345	–
	1 259	–
	300	–
	5 904	–
	1 659	–
	7 563	–
	7 563	–
	5 259	–
	–	–
	2 304	–
	7 563	–
	30 September 2003	
	17 578	–
	2 638	–
	20 216	–
	7 000	–
	13 000	–
	49	–
	167	–
	20 216	–



	2003 R'000	2002 R'000
8. INVESTMENT IN ASSOCIATES <i>(continued)</i>		
Income statement for the 12 months ended 30 September 2003		
Revenue	61 122	–
Net profit before taxation	5 502	–
Taxation	(1 833)	–
Net profit after taxation	3 669	–
Dividends	1 800	–
9. FINANCIAL INVESTMENTS		
Listed at market value		
Investment in mutual funds	6 859	–
Unlisted at directors' valuation		
Ordinary shares	1	–
JSE right	10	–
Unlisted at amortised cost		
Investment in films	136 194	–
	143 064	–
Transferred to current assets	(6 859)	–
	136 205	–
<p>The investment in films is pledged as security for interest-bearing borrowings (refer note 13). The directors' valuation is equal to the amortised cost. The investment in mutual funds is held for the benefit of employees of the group. Details regarding financial investments required in terms of the Companies Act are kept at the company's registered office and this information will be made available to shareholders on written request.</p>		
10. LONG-TERM RECEIVABLE		
Loan receivable	–	1 500
11. SHARE CAPITAL		
Authorised		
750 000 000 (2002: 4 000) ordinary shares of 0,01 cent (2002: 100 cents) per share	75	4
7 600 000 convertible cumulative redeemable preference shares of 0,01 cent per share	1	–
	76	4

NOTES TO THE FINANCIAL STATEMENTS – continued
for the period ended 30 September 2003

	2003 R'000	2002 R'000	
II. SHARE CAPITAL <i>(continued)</i>			
Issued			
382 274 930 (2002: 600) ordinary shares of 0,01 cent (2002: 100 cents) per share	38	1	
7 600 000 convertible cumulative redeemable preference shares of 0,01 cent per share	1	–	
	39	1	
Share premium			
Balance at beginning of period	19	19	
Premium on ordinary shares issued during the period	85 040	–	
Premium on convertible cumulative redeemable preference shares issued during the period	13 071	–	
Share issue expenses	(4 569)	–	
	93 561	19	
Alterations to share capital			
Date	Detail	Number of shares in issue	Premium R'000
30 September 2002	Amount in issue prior to subdivision	600	–
30 April 2003	Subdivision	5 999 400	–
30 April 2003	Share repurchase and cancellation	(5 999 900)	–
		100	–
	Issued as consideration for Coronation Investment Management (Pty) Ltd shares	382 274 830	85 040
	Net of share issue expenses written off	382 274 930	85 040
30 September 2003	Issue of convertible cumulative redeemable preference shares	7 600 000	13 071
Convertible cumulative redeemable preference shares			
The terms and conditions of the convertible cumulative redeemable preference shares are set out in the directors' report. These shares rank pari passu with the ordinary shares as to voting rights.			
Unissued shares			
Unissued shares are under the control of the directors until the forthcoming annual general meeting.			
		2003 R'000	2002 R'000
12. NON-DISTRIBUTABLE RESERVE			
Foreign currency translation reserve		(3 916)	–



	2003 R'000	2002 R'000
13. INTEREST-BEARING BORROWINGS		
Fellow subsidiaries		
Coronation Capital (Ireland) Ltd (formerly known as Coronation Global Ltd)	41 722	–
The loan is denominated in US dollars and accrues interest at 8,85% per annum. The loan is repayable in full on 31 March 2010.		
Coronation Capital (Ireland) Ltd (formerly known as Coronation Global Ltd)	36 680	
The loan is denominated in US dollars and accrues interest at 1,74% per annum. The loan is repayable in full on 19 March 2017.		
Other		
Gemini Film Finance Ltd	39 607	–
The loan is denominated in pounds sterling and accrues interest at 8% per annum. The loan is repayable in full on 18 December 2008.		
The borrowings are secured with a pledge of the group's investment in films which has a value of R136 193 619 at 30 September 2003 (refer note 9).		
	118 009	–
In terms of the company's articles of association, its borrowing powers are unlimited.		
Subsidiaries		
Coronation Life Assurance Company Ltd is restricted in its ability to borrow in that borrowings require the approval of the Registrar of Insurance, in terms of the South African Long-term Insurance Act No. 52 of 1998.		
14. DEFERRED TAXATION		
Arising on acquisition of business	36 829	–
Reversing temporary differences	(1 427)	–
Deferred tax liability at end of period	35 402	–
The deferred taxation liability and deferred taxation charge in the income statement is attributable to the following:		
Investment in films	35 402	–

NOTES TO THE FINANCIAL STATEMENTS – continued
for the period ended 30 September 2003

	2003 R'000	2002 R'000
15. COMMITMENTS		
Operating lease commitments		
Due within one year	6 254	–
Due – one to five years	26 887	–
Due – thereafter	8 500	–
	41 641	–
Operating lease commitments relate to office space and equipment rental.		
Details of immoveable properties leased from third parties are set out below:		
Landlord	Location	Tenure
RMB Properties (Pty) Ltd	Newlands South Africa	10 years
Derwent Valley London Ltd	London United Kingdom	10 years
	Expiry date	Lessee
	2008	Coronation Asset Management (Pty) Ltd
	2013	Coronation International Ltd
	5 months 2003 R'000	12 months 2002 R'000
16. NOTES TO THE CASH FLOW STATEMENT		
16.1 Reconciliation of net income before taxation to cash (utilised by)/generated from operations		
Net income before taxation	77 596	1 990
Adjusted for:		
Depreciation, amortisation of film investments	2 942	–
Interest income	(4 232)	(1 202)
Interest expense	3 170	–
Investment income	(29)	–
Unrealised foreign exchange gains	(424)	–
Loss on scrapping of equipment	56	–
Operating profit before working capital changes	79 079	788
Working capital changes		
Decrease in securities held for trading	42 104	–
(Increase)/decrease in trade and other receivables	(17 174)	352
(Decrease)/increase in trade and other payables	(265 490)	4
	(240 560)	356
Cash (utilised by)/generated from operations	(161 481)	1 144



	5 months 2003 R'000	12 months 2002 R'000
16. NOTES TO THE CASH FLOW STATEMENT <i>(continued)</i>		
16.2 Taxation paid		
Prepaid/(unpaid) at beginning of period	389	(92)
Tax asset acquired on acquisition of business	3 077	–
Per income statement – normal taxation	(18 454)	(599)
Unpaid/(prepaid) at end of period	10 976	(389)
Taxation paid	(4 012)	(1 080)
16.3 Reconciliation of dividend paid		
Unpaid at beginning of period	–	(2 000)
Dividend declared – 30 April 2003	(23 409)	–
Dividend paid	(23 409)	(2 000)
16.4 Acquisition of business		
The fair value of assets acquired and liabilities assumed was as follows:		
Cash and cash equivalents	341 233	–
Equipment	7 830	–
Investment in associates	4 345	–
Financial investments and long-term receivables	143 848	–
Long-term liabilities	(122 765)	–
Deferred tax liability	(36 829)	–
Securities held for trading	81 443	–
Trade and other payables	(334 028)	–
Fair value of net assets acquired	85 077	–
Excess of purchase price over fair value, written off against share premium	1 671 475	–
Total purchase consideration	1 756 552	–
Less: Shares issued as part of purchase price	(1 756 552)	–
Ordinary shares issued – par value	(37)	–
Ordinary shares issued – share premium	(1 756 515)	–
Add: Cash and cash equivalents acquired	341 233	–
Cash inflow on acquisition of business	341 233	–

17. RELATED PARTY TRANSACTIONS

Coronation Fund Managers Ltd and its subsidiaries, in the ordinary course of business, enter into various service and investment transactions with associates and other entities in which the group has a material interest.

These transactions are under terms no less favourable than those arranged with third parties.

- Fees paid to related parties: refer note 4
- Directors' interest in share capital: refer directors' report
- Loan to associate: refer note 8
- Loans from fellow subsidiary companies: refer note 13

18. EMPLOYEE BENEFIT INFORMATION

Coronation Retirement Fund

All staff are members of a defined contribution provident fund, which is governed by the Pension Funds Act No. 24 of 1956, as amended. No valuation is performed as the liabilities of the fund cannot exceed its assets. Other than ongoing contributions charged against income as incurred, the group has no further retirement benefit obligations.

Share incentive scheme

Staff will be incentivised through an employee incentive scheme, to be operated by an employee incentive trust ("the Trust") for the benefit of any employee (including a director holding salaried employment or office) of Coronation Fund Managers Ltd and/or its subsidiaries from time to time. The salient features of the scheme are the following:

- ▶ The aggregate number of ordinary shares in Coronation Fund Managers Ltd (whether issued or unissued), which may be utilised for the scheme at any time, shall not exceed a number equal to 10%. The aggregate number of shares in the authorised share capital of Coronation Fund Managers Ltd available to the Trust is 75 000 000. The maximum number of shares, which may be acquired by any employee under the scheme, shall not exceed 3% of the issued share capital of Coronation Fund Managers Ltd from time to time.
- ▶ In terms of the scheme, employees will be granted options to acquire shares in Coronation Fund Managers Ltd. The price at which scheme shares will be sold to a participant is the middle market price of a share on the JSE on the trading day immediately preceding the date upon which an offer of scheme shares is made.
- ▶ Unless otherwise determined by the board, a participant will, on each anniversary of the date on which the option was granted to such participant ("the option date"), other than the first anniversary, become entitled to exercise the option in respect of one third of the shares ("the annual entitlement") to which such option relates, provided that:
 - the option may only be so exercised if certain performance targets (as may be determined by the chief executive officer and chief investment officer of Coronation Fund Managers Ltd from time to time) are met and approved by the remuneration committee;
 - if the said performance targets are not met in relation to a particular year, the option in respect of the annual entitlement for that year shall lapse;
 - to the extent that the option has not been exercised on the fourth anniversary of the option date, the option shall lapse.
- ▶ Unless otherwise determined by the board, a participant shall make payment of the option price and take delivery of the scheme shares in respect of which the option has been exercised, on the fifth business day after the exercise of the option. Pending delivery and payment, risk in and benefit of the scheme shares shall not pass to the participant and the participant shall not be entitled to any dividends declared in respect of those shares or to exercise or dispose of any voting rights attached to the scheme shares.

As at 30 September 2003, no options have been granted to any employees of the company or any of its subsidiaries in terms of this scheme.



	South Africa operations 5 months R'000	International operations 5 months R'000	Group 5 months R'000
19. SEGMENT REPORT			
Segment revenue	109 797	54 736	164 533
Management and service fees	76 166	32 052	108 218
Performance fees, trading income and initial charges	25 814	15 584	41 398
Interest income	3 536	696	4 232
Investment income	29	–	29
Other income	4 252	6 404	10 656
Segment operating expenses	(57 636)	(26 131)	(83 767)
Interest expense	(2 849)	(321)	(3 170)
Segment net income before taxation	49 312	28 284	77 596
Taxation	(10 995)	(6 032)	(17 027)
Segment net income after taxation	38 317	22 252	60 569
Income from associates	300	–	300
Segment contribution to attributable earnings	38 617	22 252	60 869
Headline earnings adjustment			
Loss on scrapping of equipment	(4)	60	56
Segment contribution to headline earnings	38 613	22 312	60 925
Contribution to headline earnings (%)	63	37	100
Segment assets	242 975	150 083	393 058
Investment in associates	7 563	–	7 563
Other assets	235 412	150 083	385 495
Segment liabilities	140 927	101 924	242 851
Total shareholders' equity	102 048	48 159	150 207
Supplementary information			
Cost to income (%)	55	48	53
Number of employees	113	20	133
Capital expenditure	186	121	307
Depreciation and amortisation of film investments	2 296	646	2 942

20. FINANCIAL INSTRUMENTS

20.1 Currency risk management

The following currency profile analyses the group's assets and liabilities according to the currencies in which they are held at 30 September 2003. The totals are then expressed in the equivalent rand amount (in thousands).

Currency Exchange rate	ZAR 1,0000	EUR 8,0987	GBP 11,5474	USD 6,9538	Total
Assets					
Investment in associates	7 563	–	–	–	7 563
Financial investments	11	–	48 647	94 406	143 064
Securities held for trading	11 833	–	–	27 506	39 339
Trade receivables	20 974	–	2 810	10 103	33 887
Other receivables	5 424	–	863	–	6 287
Cash and cash equivalents	87 957	856	9 932	58 284	157 029
	133 762	856	62 252	190 299	387 169
Liabilities					
Interest-bearing borrowings	–	–	39 608	78 401	118 009
Trade payables	31 213	–	12 910	34 341	78 464
	31 213	–	52 518	112 742	196 473

20.2 Credit risk management

Financial assets which subject the group to credit risk consist principally of cash. These are placed with highly rated creditworthy financial institutions. Care is taken to ensure that the group has no significant concentration of credit risk.

20.3 Interest rate risk management

The group is exposed to interest rate risk as it both borrows and invests funds. The risk is managed by maintaining an appropriate mix of fixed and floating rate instruments with reputable financial institutions. The terms of maturity are set out below:

	One year or less	One to five years	Due after five years	Non- interest bearing	Total
Assets					
Investment in associates	–	–	–	7 563	7 563
Financial investments	–	–	–	143 064	143 064
Securities held for trading	–	–	–	39 339	39 339
Trade receivables	–	–	–	33 887	33 887
Other receivables	–	–	–	6 287	6 287
Cash and cash equivalents	157 029	–	–	–	157 029
	157 029	–	–	230 140	387 169
Liabilities					
Interest-bearing borrowings	–	–	118 009	–	118 009
Trade payables	–	–	–	78 464	78 464
	–	–	118 009	78 464	196 473



20. FINANCIAL INSTRUMENTS *(continued)*

20.4 Fair values

The fair values of all financial instruments are substantially similar to carrying amounts reflected in the balance sheet.

20.5 Funds under management

Fair value of funds under management – by type

	30 September 2003 Rbn
Institutional	45,7
Retail	6,6
Private clients	1,4
	53,7

Fair value of funds under management – by geographical region

South Africa	46,3
International	7,4
	53,7

21. POLICYHOLDERS' FUNDS

Actuarial liabilities under unmaturing policies comprise investment contracts issued by Coronation Life Assurance Ltd

2003 R'000	2002 R'000
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10 623 395	–
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22. LINKED ASSETS BACKING POLICYHOLDERS' FUNDS

Listed investments at market value	9 585 816	–
Equities other than property	5 188 767	–
Government, public and private sector stock	3 020 950	–
Property companies	113 037	–
Other investments	1 263 062	–
Unlisted other investments at directors' valuation	1 037 579	–
	10 623 395	–

NOTES TO THE FINANCIAL STATEMENTS – continued
for the year ended 30 September 2003

	Note	2003 R'000	2002 R'000
23. CORONATION FUND MANAGERS LIMITED			
INCOME STATEMENT			
for the year ended 30 September 2003			
Revenue		455	2 064
Management and service fees		453	945
Performance fees, trading income and initial charges		–	(83)
Interest income		2	1 202
Operating expenses			
Auditors' remuneration			
– audit fee		(4)	(4)
– prior year underprovision		(3)	(6)
Interest expense		(1)	–
Other operating expenses		(1)	(57)
Professional fees		(168)	(7)
Net income before taxation		278	1 990
Income tax expense	27	(126)	(599)
Net income attributable to shareholders		152	1 391
BALANCE SHEET			
At 30 September 2003			
Assets			
Investment in subsidiary	25	1 076 107	–
Loans to subsidiaries		24 500	1 500
Non-current assets		1 100 607	1 500
Loan to subsidiary		6 477	23 000
Cash and cash equivalents		33	–
Taxation receivable		748	389
Current assets		7 258	23 389
Total assets		1 107 865	24 889
Equity and liabilities			
Ordinary share capital	26	38	1
Preference share capital	26	1	–
Share premium	26	1 765 036	19
Distributable reserves		(680 639)	23 063
Total shareholders' interest		1 084 436	23 083
Trade payables		4	1 693
Loan from subsidiary		23 425	–
Bank overdraft		–	113
Current liabilities		23 429	1 806
Total equity and liabilities		1 107 865	24 889



	2003 R'000	2002 R'000
23. CORONATION FUND MANAGERS LIMITED <i>(continued)</i>		
STATEMENT OF CHANGES IN EQUITY		
for the year ended 30 September 2003		
Equity at beginning of year	23 083	21 692
Ordinary share capital		
Balance at beginning of year	1	1
Issue of share capital	37	–
Balance at end of year	38	1
Preference share capital		
Balance at beginning of year	–	–
Issue of preference shares	1	–
Balance at end of year	1	–
Share premium		
Balance at beginning of year	19	19
Issue of share capital	1 756 515	–
Share issue expenses	(4 569)	–
Issue of preference shares	13 071	–
Balance at end of year	1 765 036	19
Distributable reserves		
Retained income		
Balance at beginning of year	23 063	21 672
Net profit for the year	152	1 391
Ordinary dividend – 30 April 2003	(23 409)	–
Balance at end of year	(194)	23 063
Revaluation reserve		
Balance at beginning of year	–	–
Revaluation of investment in subsidiary	(680 445)	–
Balance at end of year	(680 445)	–
Total distributable reserves	(680 639)	23 063
Equity at end of year	1 084 436	23 083

NOTES TO THE FINANCIAL STATEMENTS – continued
for the year ended 30 September 2003

	Note	2003 R'000	2002 R'000
23. CORONATION FUND MANAGERS LIMITED <i>(continued)</i>			
CASH FLOW STATEMENT			
for the year ended 30 September 2003			
Cash generated from operations	24.1	38 536	1 144
Interest income		2	1 202
Interest expense		(1)	–
Taxation paid	24.2	(485)	(1 080)
Dividend paid – 30 April 2003	24.3	(23 409)	(2 000)
Net cash inflow/(outflow) from operating activities		14 643	(734)
Cash flows from financing activities			
Share issue expenses		(4 569)	–
Issue of preference shares		13 072	–
Increase in loans to subsidiaries		(23 000)	(23 697)
Net cash outflow from financing activities		(14 497)	(23 697)
Net increase/(decrease) in cash and cash equivalents		146	(24 431)
Cash and cash equivalents at beginning of year		(113)	24 318
Cash and cash equivalents at end of year	24.4	33	(113)
24. NOTES TO THE CASH FLOW STATEMENT			
24.1 Reconciliation of net income before taxation to cash generated from operations			
Net income before taxation		278	1 990
Adjusted for:			
Interest income		(2)	(1 202)
Interest expense		1	–
Operating profit before working capital changes		277	788
Working capital changes			
Decrease in loan to subsidiary		16 523	352
Increase in trade payables and loan from subsidiary		21 736	4
Cash generated from operations		38 536	1 144
24.2 Taxation paid			
Prepaid/(unpaid) at beginning of year		389	(92)
Per income statement – normal taxation		(126)	(599)
Prepaid at end of year		(748)	(389)
		(485)	(1 080)
24.3 Dividend paid			
Unpaid at beginning of year		–	(2 000)
Dividend declared – 30 April 2003		(23 409)	–
Dividend paid		(23 409)	(2 000)



	2003 R'000	2002 R'000
24. NOTES TO THE CASH FLOW STATEMENT <i>(continued)</i>		
24.4 Cash and cash equivalents		
Cash on hand	33	–
Bank overdraft	–	(113)
	33	(113)
24.5 Non-cash flow transaction		
Acquisition of business	1 756 552	–
Shares issued as consideration	(1 756 552)	–
	–	–
25. INVESTMENT IN SUBSIDIARY		
Unlisted shares – at cost	1 756 552	
– revaluation adjustment	(680 445)	–
Investment in subsidiary at market value	1 076 107	–
26. SHARE CAPITAL		
Authorised		
750 000 000 (2002: 4 000) ordinary shares of 0,01 cent (2002: 100 cents) per share	75	4
7 600 000 convertible cumulative redeemable preference shares of 0,01 cent per share	1	–
	76	4
Issued		
382 274 930 (2002: 600) ordinary shares of 0,01 cent (2002: 100 cents) per share	38	1
7 600 000 convertible cumulative redeemable preference shares of 0,01 cent per share	1	–
	39	1
Share premium		
Balance at beginning of period	19	19
Premium on ordinary shares issued during the period	1 756 515	–
Premium on convertible cumulative redeemable preference shares issued during the year	13 071	–
Share issue expenses	(4 569)	–
	1 765 036	19

NOTES TO THE FINANCIAL STATEMENTS – continued
for the year ended 30 September 2003

26. SHARE CAPITAL (continued)

Date	Detail	Number of shares in issue	Premium Rm
Alterations to share capital			
30 September 2002	Amount in issue prior to subdivision	600	–
30 April 2003	Subdivision	5 999 400	–
30 April 2003	Share repurchase and cancellation	(5 999 900)	–
		100	–
	Issued in consideration for Coronation Investment Management (Pty) Ltd shares	382 274 830	1 757
		382 274 930	1 757
30 September 2003	Issue of convertible cumulative redeemable preference shares	7 600 000	13
Convertible cumulative redeemable preference shares			
The terms and conditions of the convertible cumulative redeemable preference shares are set out in the directors' report. These shares rank pari passu with the ordinary shares as to the voting rights.			
Unissued shares			
Unissued shares are under the control of the directors until the forthcoming annual general meeting.			
		2003 R'000	2002 R'000

27. INCOME TAX EXPENSE

Tax on income			
South African normal taxation	125	596	
Other taxes and levies			
Regional Services Council levies	1	3	
Income tax expense per income statement	126	599	
Reconciliation of tax rate			
The tax charge for the year as a percentage of operating profit before tax	%	%	
Disallowable expenses	45	30	
	(15)	–	
Standard rate of South African tax	30	30	

PRINCIPAL SUBSIDIARIES AND ASSOCIATES

at 30 September 2003



Company (% of equity capital held)	Country of incorporation	Functional currency	Issued share capital	Indebtedness by/(to) R'000
Coronation Fund Managers Ltd				
100 Coronation Investment Management (Pty) Ltd (Holding company of operating subsidiaries)	South Africa	ZAR	100	21 925
100 Coronation Life Assurance Company Ltd (Long-term insurance company)	South Africa	ZAR	300	–
100 Coronation Management Company Ltd (Collective investment schemes management company)	South Africa	ZAR	2 000 000	–
100 Coronation Asset Management (Pty) Ltd (Investment management company)	South Africa	ZAR	250 000	(29 477)
100 CFM International Ltd (Holding company of the international subsidiaries)	British Virgin Islands subsequently Isle of Man	USD	20 000	–
100 Coronation International Ltd (Investment management company)	United Kingdom	GBP	1 000 000	–
100 Coronation Fund Managers (Ireland) Ltd (Collective investment schemes management company)	Ireland	USD	136 538	–
100 CIH Management Ltd (Investment management company) Liquidated subsequent to 30 September 2003	British Virgin Islands	USD	100	–
26,29 FinSource (Pty) Ltd (Fund administration)	South Africa	ZAR	200 000	–
49 Kagiso Asset Management (Pty) Ltd (Investment management company)	South Africa	ZAR	4 000	–
25 Kagiso Securities Ltd (Stockbroker)	South Africa	ZAR	20 000	–

The interests of the company in its subsidiaries' aggregate profits and losses after taxation are as follows:

	5 months 2003 R'000
Profit	70 900
Losses	(10 183)
Total	60 717

ANALYSIS OF SHAREHOLDERS

SHAREHOLDER SPREAD	Number of shareholders	%	Number of shares	%
1 – 1 000 shares	1 265	36,45	700 025	0,18
1 001 – 10 000 shares	1 598	46,04	6 050 602	1,58
10 001 – 100 000 shares	429	12,36	13 053 119	3,42
100 001 – 1 000 000 shares	141	4,06	49 674 377	12,99
1 000 001 shares and over	38	1,09	312 796 807	81,83
	3 471	100,00	382 274 930	100,00
DISTRIBUTION OF SHAREHOLDERS	Number of shareholders	%	Number of shares	%
Banks	53	1,53	32 306 386	8,44
Close corporations	57	1,64	365 289	0,10
Endowment fund	17	0,49	1 401 600	0,37
Individuals	2 338	67,36	12 801 855	3,35
Insurance companies	8	0,23	4 734 435	1,24
Investment companies	14	0,40	2 552 735	0,67
Limited companies	9	0,26	455 975	0,12
Mutual funds	82	2,36	49 900 604	13,05
Nominees and trusts	619	17,83	12 489 087	3,27
Other corporations	37	1,07	538 510	0,14
Limited company – major shareholder	1	0,03	210 181 215	54,98
Pension funds	124	3,57	52 023 144	13,61
Private companies	112	3,23	2 524 095	0,66
	3 471	100,00	382 274 930	100,00
PUBLIC/NON-PUBLIC SHAREHOLDERS	Number of shareholders	%	Number of shares	%
Non-public shareholders	12	0,35	214 247 180	56,05
Directors of the company	10	0,29	3 630 175	0,95
Associates of the directors	0	0,00	0	0,00
Private trust	1	0,03	435 790	0,12
Holding company	1	0,03	210 181 215	54,98
Share incentive trust ¹	0	0,00	0	0,00
Retirement fund ²	0	0,00	0	0,00
Public shareholders	3 459	99,65	168 027 750	43,95
	3 471	100,00	382 274 930	100,00
Employees (subject to personal account trading rules)	7	0,20	415 805	0,11
GEOGRAPHIC OWNERSHIP	Number of shareholders	%	Number of shares	%
South Africa	3 224	92,88	371 849 755	97,27
International	247	7,12	10 425 175	2,73
	3 471	100,00	382 274 930	100,00

¹ No options had been issued by the trust as at 30 September 2003.

² The Coronation Retirement Fund is a member's choice fund, which is invested in underlying funds and does not hold direct investments.



SHAREHOLDERS WITH A BENEFICIAL INTEREST OF 2% OR MORE IN SHARES

	Number of shares	%
Coronation Investments and Trading Ltd	210 181 215	54,98
Rand Merchant Bank Ltd	20 874 260	5,46
Allan Gray Life Ltd	9 531 105	2,49
Public Investment Commissioner	9 220 585	2,41

CORONATION FUND MANAGERS LTD ON ON THE JSE SECURITIES EXCHANGE

	2003 ¹
Number of shares in issue	382 274 930
Market prices (cents per share)	
Closing	282
High	376
Low	270
Weighted average	334
Volume of shares traded (millions)	41,29
Value of shares traded (Rm)	137,66
Market capitalisation at 30 September 2003 (Rm)	1 078,02

¹ Since Coronation Fund Managers Ltd was only listed on 13 June 2003, comparative figures are not available.

NOTICE TO SHAREHOLDERS

Notice is hereby given that the 30th annual general meeting of Coronation Fund Managers Ltd will be held in the boardroom of the offices of Coronation Fund Managers Ltd at Coronation House, Boundary Terraces, 1 Mariendahl Lane, Newlands on Wednesday, 28 January 2004, at 10:00 for the following purposes:

ORDINARY RESOLUTIONS

1. To receive and consider the audited annual financial statements of the company for the year ended 30 September 2003.
2. (a) To re-elect Mr WT Floquet who retires by rotation in accordance with the provisions of the company's articles of association, but is eligible and available for re-election.
(b) To re-elect Mr E Molobi who retires by rotation in accordance with the provision of the company's articles of association, but is eligible and available for re-election.

A brief curriculum vitae in respect of each director offering himself for re-election is contained on page 3 of the annual report of which this notice forms part.

3. To authorise the directors to determine the remuneration of the company's auditors.
4. To reappoint KPMG Inc. as the company's auditors.
5. To authorise the directors to allot and issue in their discretion all or any portion of the unissued ordinary shares of 0,01 cents each in the capital of the company at such time or times, and upon such terms and conditions as they may determine (subject to sections 221 and 222 of the Companies Act No. 61 of 1973, as amended, and the Listings Requirements of the JSE Securities Exchange South Africa (JSE)), the aforesaid authority to remain in force until the next annual general meeting of the company.
6. To authorise the directors, subject to the requirements of the JSE, for a period of 15 months from the date of this meeting or until the date of the company's next annual general meeting, whichever first occurs, to issue at their discretion all or any of the unissued ordinary shares of 0,01 cent each for cash, other than by way of a rights offer, provided that the number of shares so issued shall not in any one year exceed 15% of the number of ordinary shares in issue at the time the issue was made, and that the issue may not take place at a discount exceeding 10% of the weighted average market value of the shares for the 30 business days prior to the date that the price of the issue is determined or agreed by the directors. Members are advised that in terms of the JSE Listings Requirements, a 75% majority is required of votes cast by the shareholders present or represented by proxy to approve the above ordinary resolution. There will be no restrictions in regard to the persons to whom the shares may be issued, provided that such shares are to be issued to public shareholders (as defined by the JSE in its Listings Requirements) and not to related parties. A press announcement giving full details, including the impact on net asset value and earnings per share, will be published at the time of any issue representing, on a cumulative basis within one financial year, 5% or more of the number of shares in issue prior to the issue/s.

SPECIAL RESOLUTION

7. That the company be given a general authority to purchase its own shares or any subsidiary of the company to purchase shares in the company, collectively referred to as "repurchases" when the directors consider it appropriate in the circumstances; provided that:
 - ▶ this general authority shall be valid only until the company's next annual general meeting, provided that it does not exceed beyond 15 months from the date of this resolution during which time this general approval may be varied or revoked by special resolution passed at a general meeting of the company;
 - ▶ this general authority to acquire shares be limited in the case of repurchases by the company of its own shares in any one financial year to a maximum of 20% of its issued share capital of that class at the time the approval is granted;
 - ▶ repurchases will not be made at a price greater than 10% above the weighted average of the market value for the securities for the five business days immediately preceding the date upon which the transaction was agreed;
 - ▶ at any point in time, the company may only appoint one agent to effect any repurchases;
 - ▶ no repurchases will be effected during a prohibited period;
 - ▶ the company may only undertake a repurchase of shares if, after such repurchase the spread requirements of the company comply with the JSE Listings Requirements;
 - ▶ the repurchase of shares being effected through the main order book operated by the JSE trading system and being done without any prior understanding or arrangement between the company and the counterparty; and
 - ▶ subject further to compliance with the Companies Act, the articles of association and the applicable provisions of the JSE Listings Requirements.

REASONS FOR AND EFFECT OF SPECIAL RESOLUTION AND STATEMENT REQUIRED IN TERMS OF PARAGRAPH 11.26 OF THE JSE LISTINGS REQUIREMENTS

The reason for the special resolution is to grant the board of directors of the company the general authority to contract the company and/or any of its subsidiaries to acquire the shares in the company, should the directors consider it appropriate in the circumstances.

The effect of the special resolution is that the board of directors will be granted the general authority, subject to the provisions set out in the resolution, to acquire shares in the company, should they deem it appropriate in the circumstances and should the company comply with the relevant statutes and authority applicable thereto.

The board of directors, as at the date of this notice, has no definite intention of repurchasing shares. It is, however, proposed that the directors believe it to be in the best interest of the company that shareholders pass this resolution.

The board of directors shall not make any payment in whatever form to acquire any shares issued by the company, if, after the directors have considered the effects of any repurchases, there are reasonable grounds for believing that:

- ▶ the company and the group are, or will at any time during the period of 12 months after the date of this notice, be unable, in the ordinary course of business, to repay their debts as they become due;
- ▶ the company's consolidated assets, valued according to Generally Accepted Accounting Practice, will be more than its consolidated liabilities for a period of 12 months after this notice;
- ▶ the ordinary share capital and reserves of the company and the group will be adequate for ordinary business purposes for a period of 12 months after this notice;
- ▶ the company and group will have sufficient working capital to meet its needs for a period of 12 months after the date of this notice of the annual general meeting. The company will provide the JSE with a working capital statement as required in terms of paragraph 2.14 of the JSE Listings Requirements; and
- ▶ the sponsor will provide the JSE with a working capital statement as required in terms of paragraph 2.12 of the JSE Listings Requirements.

Any repurchases shall comply with the limitations set out in the special resolution and the requirements of paragraph 5.72 of the JSE Listings Requirements. No repurchases shall be effected in terms of the special resolution unless the sponsor of the company provides a letter to the JSE on the adequacy of the company's working capital in terms of the JSE Listings Requirements.

The shareholders are referred to the sections of the financial report listed below to which this notice is attached for general information regarding:

- ▶ the company's directors and management (page 3);
- ▶ major shareholders (page 61);
- ▶ material changes (page 30);
- ▶ directors' interests in securities (page 32);
- ▶ share capital (page 57);
- ▶ the directors, whose names are set out on page 3 of this report, collectively and individually accept full responsibility for the accuracy of the information contained in this special resolution and certify that to the best of their knowledge and belief that there are no other facts, the omission of which would make any statement false or misleading and that they have made all reasonable queries in this regard; and
- ▶ there are no legal or arbitration proceedings (including such proceedings that are pending or threatened of which the company is aware) which may have or have had in the previous 12 months, a material effect on the group's financial position.

VOTING AND PROXIES

Members who have not dematerialised their shares or have dematerialised their shares, but with own name registration ("entitled members") may appoint one or more proxies to attend, speak and vote or abstain from voting in such members' stead. A form of proxy is attached for the use of those entitled members who wish to be so represented.

Members who have already dematerialised their shares (other than those with own name registration) must inform their duly appointed CSDP or broker, as the case may be, of their intention to attend the annual general meeting and request that their duly appointed CSDP or broker, as the case may be, issue them with the necessary authorisation to attend or provide their duly appointed CSDP or broker, as the case may be, with their voting instruction should they not wish to attend the annual general meeting in person.

For the convenience of members who are unable to attend the meeting but wish to be represented thereat, kindly complete the enclosed proxy form and return it to the transfer secretaries in Johannesburg. The attention of the members is drawn to the fact that if it is to be effective, the completed proxy form must reach the company's transfer secretaries in Johannesburg at least 48 hours before the time appointed for the meeting (which period excludes Saturdays, Sundays and public holidays).

By order of the board

DP McDonald
Company secretary

18 December 2003

Registered office
Coronation House
Boundary Terraces
1 Mariendahl Lane
Newlands
7700

SHAREHOLDERS' DIARY

Annual general meeting

Wednesday, 28 January 2004 10:00

Final dividend

- Last day to trade
- Record date
- Date of payment

5 December 2003
12 December 2003
15 December 2003

CORPORATE INFORMATION

Share code: Ordinary shares: CML

ISIN number: ZAE000047353

BOARD OF DIRECTORS

GMC Ryan (chairman)
MM du Toit (chief executive officer)
WT Floquet
E Molobi
AJ Gibson
JA Snalam
LF Stassen
MF Wierzycka

appointed 1 April 2003

appointed 1 April 2003
appointed 1 April 2003
resigned 1 April 2003
resigned 1 April 2003
resigned 1 April 2003
resigned 1 April 2003

TRANSFER SECRETARIES

Computershare Ltd
70 Marshall Street
Johannesburg 2001

Postal address

PO Box 61051
Marshalltown 2107

SECRETARY

DP McDonald

Registered address

Coronation House
Boundary Terraces
1 Mariendahl Lane
Newlands 7700

Postal address

PO Box 993
Cape Town 8000

AUDITORS

KPMG Inc.
MSC House
1 Mediterranean Street
Foreshore
Cape Town 8001

Postal address

PO Box 4609
Cape Town 8000

Coronation Fund Managers Limited
(Formerly Coronation Investment Services (Proprietary) Limited)
(Incorporated in the Republic of South Africa)
(Registration number: 1973/009318/06)
(Ordinary share code: CML) (ISIN number: ZAE000047353)
("the company")

FORM OF PROXY

Thirtieth annual general meeting of members

I/We _____

being a member of the abovementioned company and holding _____

ordinary shares entitling me/us to _____ votes (1 per share) for a total entitlement of _____ votes

do hereby appoint _____ of _____ or failing him/her,

_____ of _____ or failing him/her,

the chairman of the meeting,

as my/our proxy to vote for me/us on my/our behalf at the annual general meeting of the company to be held in the boardroom of the offices of the company at Coronation House, Boundary Terraces, 1 Mariendahl Lane, Newlands on the twenty eighth day of January 2004 at 10:00 and any adjournment thereof.

Dated this _____ day of _____ 20 _____

Name (in full) _____

Address _____

Signature/s _____

I/We desire to vote as follows:	Mark with an X whichever is applicable.		
	Vote for	Vote against	Abstain
Ordinary resolutions			
1. To receive and consider the audited annual financial statements of the company for the year ended 30 September 2003			
2. (a) To re-elect retiring director Mr WT Floquet who is eligible and available for re-election.			
(b) To re-elect retiring director Mr E Molobi who is eligible and available for re-election			
3. To authorise the directors to determine the remuneration of the company's auditors			
4. To re-appoint KPMG Inc. as the company's auditors.			
5. To place the unissued shares under the control of the directors			
6. To authorise share issues for cash			
Special resolution			
7. To provide the directors with a general authority to repurchase up to 20% of the company's issued share capital			

Unless otherwise directed, the proxy will vote or abstain, as he or she thinks fit in respect of the member's total holding.

Any member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend, speak, act and, on poll, vote in his or her stead. The proxy so appointed need not be a member of the company.

Members holding certificated shares or dematerialised shares registered in their own name

1. Only members who hold certificated shares and members who have dematerialised their shares in "own name" registrations may use this proxy form.
2. Each member is entitled to appoint one or more proxies (none of whom needs be a member of the company) to attend, speak and, on a poll, vote in place of that member at the annual general meeting, by inserting the name of the proxy or the names of two alternate proxies of the member's choice in the space provided, with or without deleting "the chairman of the meeting". The person whose name stands first on the form of proxy and who is present at the meeting will be entitled to act as the proxy to the exclusion of those whose names follow.
3. A member's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that member in the appropriate box/es provided. Failure to comply with the above will be deemed to authorise the chairman of the meeting, if he is the authorised proxy, to vote in favour of the resolutions at the annual general meeting, or any other proxy to vote or to abstain from voting at the annual general meeting, as he deems fit, in respect of all the member's votes exercisable thereat.
4. A member or his proxy is not obliged to vote in respect of all the shares held or represented by him, but the total number of votes for or against the resolutions in respect of which any abstention is recorded may not exceed the total number of votes to which the member or his proxy is entitled.
5. Forms of proxy must be lodged and/or posted to the company's transfer secretaries (Computershare Ltd) at 70 Marshall Street, Johannesburg, 2001, to be received by the transfer secretaries by not later than 10:00 on Monday, 26 January 2004.
6. The completion and return of this form of proxy in accordance with point 5 above will not preclude the relevant member from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such member wish to do so.
7. A minor must be assisted by the minor's parent or guardian, unless the relevant documents establishing the minor's capacity are produced or have been registered by the company.
8. Any alterations or corrections to this form of proxy must be initialled by the signatory(ies).
9. This proxy form must be signed by all joint members. If more than one of those members are present at the annual general meeting either in person or by proxy, the person whose name stands first in the register shall alone be entitled to vote.
10. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the company's transfer office or waived by the chairman of the annual general meeting.
11. The chairman of the annual general meeting may reject or accept any proxy form which is completed and/or received other than in accordance with these instructions, provided that he is satisfied as to the manner in which a member wishes to vote.

Members holding dematerialised shares

12. Members who have dematerialised their shares through a Central Securities Depository Participant (CSDP) or broker (except those members who have elected to dematerialise their shares in "own name" registrations) and all beneficial members holding their shares (dematerialised or certificated) through a nominee should provide such CSDP, broker or nominee with their voting instructions in sufficient time to allow them to advise the transfer secretaries of the company of their voting instructions before the closing time with point 5 above.
13. All such members wishing to attend the meeting in person may do so only by requesting their CSDP, broker or nominee to issue the member with a letter of representation in terms of the custody agreement. Such letter of representation must also be lodged with the transfer secretaries before the closing time with point 5 above.



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DUBLIN IRELAND | Telephone: +353 (0)1 674 5410 Fax: +353 (0)1 674 5411

WEBSITE | www.coronation.com